saskoil

mplementing
Change
To Create Opportunity.

1989 Annual Report

90-04718/

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It takes initiative and commitment to build a successful corporation. Our progress is due in large part to the willingness of our employees to meet these standards. Pictured throughout this report are some of those employees who are making our goals a reality.

Valerie Allard
David Bohun
Ray Brisson
Gary Bunz
David Cadrin
Louis Dagdick
Geoff Dy
Heather Goranson
Bart Howard
Ron Kemp
Ray Knudsen
Don Lang
Brent Marzolf
Darlene Matlock Mader
Wendy May-Clark
Rebecca Nowell
Jim Risler
Greg Thiessen
Hilda Walsh
Jennifer Williams
Leanne Yano

Corporate Profile

Saskoil is a senior Canadian energy company with interests in western Canada and selected international exploratory basins.

Saskoil is headquartered in Regina, Saskatchewan, and is engaged in the business of exploring for, developing, marketing and managing crude oil and natural gas reserves. In these activities, Saskoil has demonstrated consistent success and growth since becoming a publicly traded company in 1985 with assets of $285 million, to a company with $1.1 billion in assets in 1989.

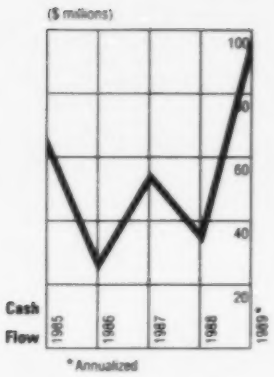
Saskoil has a diversified share structure which allows investors to participate in the growth of the Corporation in a variety of ways, including:

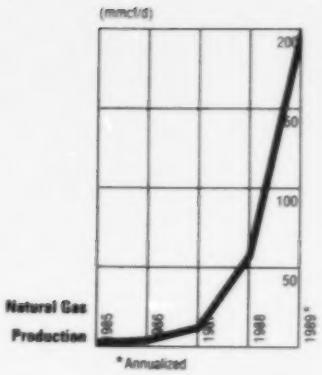
- common shares
- Series I restricted-voting shares, which are similar to common shares.
- warrants which allow for the purchase of Saskoil common shares.
- Saskatchewan Power Corporation (SPC) exchangeable bonds.

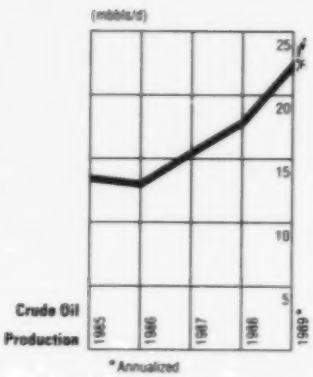
Saskoil's common, restricted-voting (Series I) shares and warrants are listed on both The Toronto Stock Exchange and the Montreal Stock Exchange and trade under the symbols SKO, SKO.A and SKO.WT.

Notice of Annual General Meeting

Saskoil's annual shareholders' meeting will be held on May 17, 1990 at 10 a.m. at the Kindersley Inn, located at 601 - 11 Avenue East, Kindersley, Saskatchewan. We encourage all shareholders to attend this meeting. However, if you are unable to attend, your participation by completion and return of the Proxy form would be appreciated.







Financial

As at December 31, 1989

(millions of dollars, except per share amounts)

	1989 Annualized	1989	1988	% Change
Revenue		$222.1	$115.1	93
Cash flow*	$ 96.0	83.6	34.8	141
Per fully diluted Common Share	1.71	1.59	0.85	87
Earnings (loss)		33.5	(8.7)	—
Per Common Share		0.62	(0.41)	—
Preferred Share Dividends		5.5	5.5	—
Capital Expenditures		124.2	83.3	49
Long term Debt		329.4	195.3	69
Shareholder's Equity		670.6	451.2	49
Debt-to-equity		.49:1	.43:1	—
Common Shares Outstanding (millions)		49.3	39.3	25

Operating

Land — undeveloped acreage (millions of acres)		2.5	1.5	67
Crude Oil Production (bbls/d)	22,400	21,000	17,900	17
Natural Gas Production (mmcf/d)	196.4	174.5	57.6	202
Crude Oil and NGLs Reserves (mmbbls)				
Proven		90.7	62.2	46
Probable		43.7	24.5	78
Natural Gas Reserves (Bcf)				
Proven		941.9	569.5	65
Probable		375.8	358.5	5

The operations of ICG Resources Ltd. from the beginning of May 1989, the date of signing the definitive share purchase agreement, (see Note 2, p. 50), have been consolidated with Saskoil's operations.
To reflect the full impact of the acquisition which was effective January 1, 1989, annualized cash flow and production numbers have been used in this table. The term "annualized" refers to the consolidated results of Saskoil and ICG Resources Ltd. for 12 months of 1989.
*Cash flow represents working capital from operations.

We are pleased to report that your Company has made excellent progress in realizing its long term goals. Operating targets set out in our 1988 annual report were met or exceeded resulting in record levels in most of the financial, production and reserves measures.

Balancing Oil and Gas Reserves and Revenues

One of the goals which Saskoil set for itself two years ago was to steadily improve its balance between oil and gas reserves and revenues. We are pleased to report that by and large, this goal has been achieved. An active exploration and development program during the year, resulted in almost two and one-half gas wells completed for each oil well completion. Contributing to the increase in Saskoil's natural gas reserves and revenues was the acquisition of ICG Resources Ltd. whose assets also provided a major increase in your Company's light oil production.

As a result of this activity, in December 1989, well over one-half of your Company's net operating revenues were derived from natural gas production. This compares to only five per cent of total revenues in 1987 and 24 per cent in 1988.

With the achievement of a balance between crude oil and natural gas activities, Saskoil is now concentrating its attention on obtaining a better balance in the geographic distribution of its assets while increasing shareholder value through active and intelligent exploitation of our existing assets and business opportunities. We believe that this focused approach to exploitation will allow Saskoil to achieve and maintain below industry average finding costs.

Growth Through Exploration and Development

In 1989, Saskoil was the sixth most active exploratory driller in Canada. As outlined in 1988, this level of drilling was, and will continue to be promoted and supported by means of an active land assembly program in selected areas of western Canada. In 1989, approximately 50 per cent of Saskoil's exploration expenditures were utilized to increase the Company's undeveloped land position.

One of Saskoil's key exploration strategies has been to operate exploration and production activities wherever possible. To this end, our exploration staff initiated 80 per cent of the Company's exploratory prospects in 1989 and Saskoil's working interest in lands acquired on these prospects averaged 83 per cent. The Company successfully completed two-thirds of the exploratory wells drilled, while our working interest in these tests averaged 65 per cent. Altogether, Saskoil participated in the drilling of 215 exploration and development wells, and completed 87 per cent of all wells drilled.

Acquisition Activity

Saskoil's focus on securing management control through operatorship of the majority of our production contributed to the decision to acquire 7.3 million barrels of medium gravity crude oil proved reserves in the Swift Current area of southwestern Saskatchewan. This strategy was also a factor in the Company acquiring ICG Resources Ltd. Both acquisitions will deliver favourable returns to the Company through increased reserves and improved production performance.

The overall increase in gas related exploration, development and acquisition activity in both 1988 and 1989 contributed to a search for enhanced marketing capability and expanded access to United States markets. These efforts culminated in the acquisition of Metro Gaz Marketing, inc. and Kanngaz Producers Ltd. on March 31, 1989. The $6.5 million acquisition provided Saskoil with a contracted reserve base in Alberta, complemented the Company's significant reserves in Saskatchewan and enhanced Saskoil's ability to deliver supply assurance to customers throughout North America.

Kanngaz has contractual arrangements permitting expanded export sales to the United States of 125 million cubic feet per day in November 1990. Saskoil plans to participate in this new market with producers presently supplying Kanngaz.

The acquisition of Kanngaz also provided Saskoil with the opportunity to develop an established means of consistent market availability and reinforced the critical nature of stable, long-term transportation access. Our commitment to broadened access in both crude oil and natural gas markets will continue to guide our investment activities in 1990 and future years.

Adding Value Through New Technology

Our technological focus, particularly in the enhanced oil recovery area, has played an important role in the Company's profitability in the past few years. The 152 per cent increase in proven heavy oil reserves since 1987 from our major fields is just one example of our progress in this area. During the past year, Saskoil's operating costs of $4.00 per barrel for heavy oil production were lower than the industry average for light and medium crude oil production. These controlled costs, in addition to low finding and development capital costs, have resulted in a substantial appreciation in shareholder value.

Saskoil believes that innovative integration of technology can improve investment returns, demonstrated by the 1989 horizontal drilling program which contributed to gains in both reserves and production. This technical application will be further advanced at our Plover Lake property through the implementation of a pilot steam injection operation in 1990. Should reservoir planning models be verified by field experience at this area, we may be able to increase production from Plover Lake four-fold over the next three years.

The Company's goal for the coming year is to integrate these advanced and innovative concepts to produce reserve additions in excess of our projected production — an approach we feel will lead to substantial reserve additions and superior investment performance over the next five years.

Managing and Building Financial Strength

Saskoil's aggressive 1989 investment and acquisition program was complemented by a continued emphasis on financial strength, a characteristic which we feel allows us to take advantage of non-recurring opportunities. In January 1989, Saskoil placed $80 million of partnership units in a sale and leaseback arrangement of the Company's production equipment. As a result of this transaction, we were able to fix carrying costs at comparatively low rates for a five year period.

In May and December 1989, Saskoil supplemented internally generated cash flow and borrowings with a total of almost $200 million in new equity funding. Our emphasis on equity funding to support an active capital program reflects Saskoil's fiscal policy of maintaining debt to equity ratios at prudent and manageable levels. Equity financing in late 1989 was structured to facilitate future access to international capital markets. This issue was well received and the price of the international security has since increased.

Outlook for Saskoil and the Industry

Crude oil prices in 1989 were firmer than anticipated and current prices are higher than those projected in our 1990 capital and operating plans. Assuming that international economic activity does not seriously decline, we anticipate that the West Texas Intermediate crude oil price will fluctuate between $18 and $22 U.S. per barrel in 1990. Demand appears sufficiently strong to sustain the $18 U.S. level and OPEC producers will likely discourage prices higher than $22 U.S. per barrel to prevent the development of major new supplies. In terms of natural gas, North American gas markets continue to strengthen, although the mild winter may contribute to oversupply and lower prices this summer.

Saskoil is concerned over the ability of the petroleum service sector to provide cost effective and timely services. Due to a long period of industry contraction, physical capabilities have been eroded and the availability of a reliable, well-trained work force reduced. While this sector is revitalized, we anticipate an upward pressure on our input costs.

In the coming year, we expect the petroleum industry as a whole, and Saskoil in particular, to demonstrate a more focused approach to exploration and development as the industry ends a cycle of restructuring and rationalization which began in the mid-1980s. Occasional investment opportunities may still arise and these, if in keeping with Saskoil's long range objectives, will be pursued by the Company.

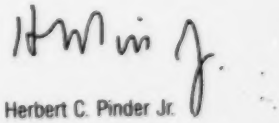
In 1990, Saskoil will continue to implement record levels of exploration and development activity, with plans to drill more than 350 wells. This focus on expanded, internally generated exploration and development opportunities will be made possible by a capital budget of $180 million. Saskoil is confident that this level of activity can be funded from existing financial resources combined with internally generated cash flow. With the increased activity, Saskoil's production levels in 1990 are projected to exceed 27,500 barrels of oil per day and 260 million cubic feet per day of natural gas.

Staff and Directors

Your Company's growth over the past year was one of the most rapid in the industry. We were able to effect record levels of internally generated growth while managing significant expansion through acquisitions. This progress would not have been achieved without the steadfast dedication and enthusiasm of Saskoil's staff, and the active participation and excellent advice given by our Directors.

The process of taking an exploration idea to sustained production involves the intuition, inventiveness, dedication and perseverance of all of us, working in an environment of respect, pride and good humor. All of these qualities describe our staff and Directors. It is with deep respect that we thank them all.

During 1989, Robert G. Bentall and Graham H. Walker did not stand for election as Directors. These gentlemen have made an outstanding contribution to your Company's progress since 1985. Their participation in our progress will be missed.



Herbert C. Pinder Jr.
Chairman

Theodore H. Renner
President and
Chief Executive Officer

March 2, 1990

Maximizing Resources

Saskoil's record of achievement is the result of implementing strategies based on long range plans which shape the organization for effective and competitive operations in the future — objectives which ultimately add value for shareholders of Saskoil.

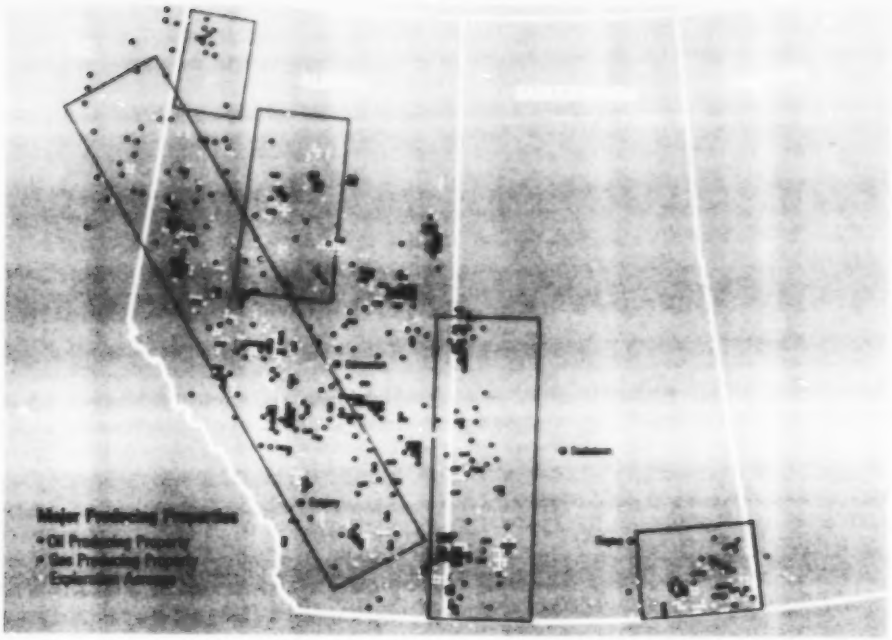
Identifying Resources

Identifying the resources which will best generate future growth is a critical first step in our planning process. Saskoil has identified trends on both the supply and demand sides of the energy equation which are used as the base of long term future growth: deep gas reserves, heavy oil and international exploration for oil and gas.

Saskoil has developed an aggressive exploration program for 1990 which will focus on areas prospective for deep gas, such as western Alberta and northern British Columbia. This program is targeted at larger reserve gas prospects which are located approximately 8,000 to 12,000 feet below the surface. These prospects often have valuable by-products in the form of liquids and sulphur. Success will result in the addition of substantial reserves to the Company and are projected to contribute to significant production increases over the long term.

The value of heavy oil in western Canada is two-fold: there is large scale, proven and recoverable reserve potential, and there is declining availability of conventional crude oil. Heavy oil is an important energy source for the future and is an economically viable product today. Our returns from heavy oil activities are comparable to those available from Saskoil's other investment opportunities. Continuing to strengthen its heavy oil reserves base, marketing and transportation systems are viewed as key components to Saskoil's long-term growth strategy.

The initial steps towards international exploration were taken in 1989 with the acquisition of rights in two offshore concessions in The Netherlands and the United Kingdom. Exploration activity will begin during 1990, culminating in drilling activity in 1991. While Saskoil is managing this opportunity conservatively, utilizing a small portion of the capital budget, this new exploration thrust is being pursued for its growth potential. A discovery in the international arena has the potential for adding large reserves which could have a major impact on the size and value of the Company's assets. This high reward activity provides an important balance to existing areas of investment activity which fulfill current needs of increasing cash flow and replacing production.



to exploration is evident in Saskoil's extensive, but selective, land position, and in the new exploration prospects added internationally.

Developing Resources

Strategies which continually enhance the quantity and quality of reserves are critical to success in an industry based on the recovery and production of non-renewable resources. Saskoil sustains long term growth potential by implementing exploration and development programs, complemented by selective acquisition of producing properties.

Exploration and innovative development programs have been Saskoil's traditional avenue for growth. In 1988 and 1989, Saskoil redirected its exploration program, establishing the necessary groundwork to create an inventory of drilling opportunities which are now being aggressively pursued. In 1990, approximately $30 million will be directed to the drilling of more than 100 exploration locations.

While Saskoil has a long term commitment to exploration as the primary means by which the Company will grow, acquisitions also play an important role in Saskoil's growth strategy. Each represents an expedient and cost effective means of fulfilling an identified need in the balance of Saskoil's program. This strategy has been used with particular effectiveness in the last several years as difficult industry conditions have resulted in the sale of many assets with exploration and development potential.

Following the strategic acquisition of properties from SaskPower in 1988, Saskoil carried out three additional major purchases in 1989, each strengthening the Company's position in a specific area of its operations.

Metro Gaz Marketing, inc.

Saskoil purchased the gas marketing entities under Metro Gaz Marketing, inc., which offered the unique opportunity to strengthen Saskoil's gas marketing position. The acquisition included natural gas sales contracts which will reach at least 125 million cubic feet per day to customers in the United States in November 1990. The opportunity to increase sales volumes, diversify and expand market access and improve the general marketing position of the Company was a significant advantage accomplished with the acquisition of Metro Gaz Marketing, inc.

ICG Resources Ltd.

The oil and gas reserves and production, gas plants and crude oil pipelines, associated with the acquisition of ICG Resources Ltd., offered Saskoil several opportunities. It added to Saskoil's base of conventional, light crude oil, augmented natural gas reserves which support the Company's marketing program and improved the geographic balance of resources between Alberta and Saskatchewan.

Medium-crude oil producing assets in Saskatchewan

In December 1989, Saskoil acquired further interests in oil and gas properties in southwestern Saskatchewan, consisting primarily of medium gravity crude oil producing interests. These interests are in producing properties and are additional to Saskoil's historic working interest. The interests were acquired to allow Saskoil to operate the oil fields purchased, thereby providing for maximum cost control and more effective asset management.

While this level of acquisition activity was accelerated by the nature of assets available for purchase during 1989, the acquisitions were unique transactions which support a strategy of long-term resource development.

Marketing Resources

By developing a marketing infrastructure, supported by firm access to transportation, Saskoil is completing the cycle of operations from well bore to customer. This control of the entire cycle is a key element of Saskoil's long range operating plan.

Consolidating a large volume position in the marketplace brings advantages to the Company such as economies of scale and increasing the flexibility of market options. Access and control of firm transportation serves the same purpose. By negotiating and managing sales contracts for itself and on behalf of other producers, Saskoil has the ability to limit the potential negative effects of insufficient transportation or contractual difficulties, thereby maximizing opportunities in growing markets.

The control of transportation and contract terms is as important for crude oil marketing as it is for natural gas. Saskoil has defined the objective of becoming a regional transporter of crude oil. Recent purchases of properties and interests have strengthened the Company's ability to take advantage of opportunities to achieve this objective.

Managing Resources

While transactions and internally generated programs have accomplished many of the overall objectives of ensuring Saskoil's long-term competitiveness, the importance of continued development and maintenance of internal resources is recognized. The ability to determine and implement the right strategies is dependent upon human and technological resources.

Saskoil has established a number of programs to further the development of individual skills and to aid in the gathering, processing and exchange of information. The goal of these programs is to improve the quality and timeliness of decision-making. These programs are implemented in many ways, including Company-initiated training and development programs, and a large scale multi-system computer upgrade, complemented with an employee home computer purchase program.

The Company recognizes its role as an active member of the communities in which it does business. Saskoil has established a scholarship program in each of its major operating areas to help students further their education. The Company has also established a program which provides financial support to the plans and projects of people and communities in western Canada.

This commitment is also demonstrated by our dedication to ensure the Company's activities provide a safe and clean environment. An Environment Review Committee, comprised of senior management, has been formed to ensure the Company's present and future operations are consistent with this belief.

Saskoil utilizes improved technology to fully exploit its reserves and production potential. This commitment emphasizes new applications of existing technology by developing and evolving it to enhance the Company's assets. Saskoil fosters an attitude among its employees to remain open to the possibility that there may be a proven, more effective technology which can be adapted to Saskoil's advantage.

An example of the results which this attitude produces is Saskoil's use of horizontal drilling. Although not a new technology, Saskoil has made great strides in adapting and improving its application of the technique in new areas and in different types of reservoirs to improve performance. Improved abilities to control drilling direction has shown impressive accuracy. Testing our capability, as we have done at various locations, has opened up many possibilities for application of horizontal drilling to enhance the exploitation — and the recovery performance — of other Saskoil areas of operations.

Nineteen hundred and eighty-nine was characterized as a year of development activity during which assets purchased in 1988 were exploited and the evolution of the Company's exploration program continued.

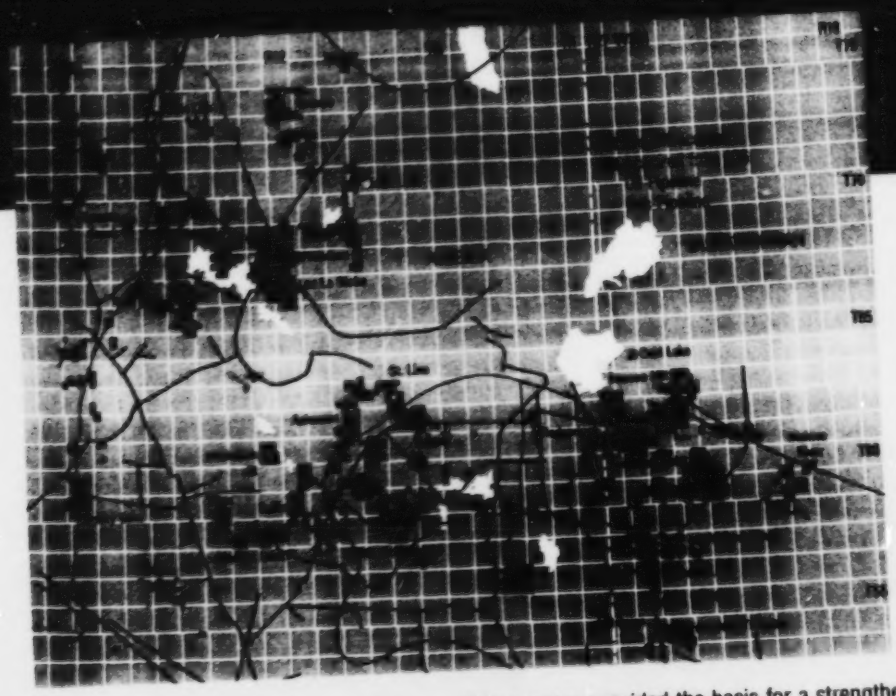
This activity has led to a major exploration drilling and seismic program for 1990 which was developed from the following strategies:

- assemble a selective yet extensive undeveloped land base, taking advantage of low land prices through most of western Canada, which will support an aggressive exploration program for many years to come;
- streamline the existing and acquired land base to ensure a large base of high working interest prospects for maximum control and benefit to Saskoil;
- balance prospects geographically and by product, in line with the identified corporate goals of pursuing heavy oil, deep gas prospects and initiating an international exploration program; and
- utilize enhanced recovery technology as a complementary tool to improve results, measurable by further reserve additions at lower per unit costs.

Saskoil accomplished each goal of its exploration strategy and has set the stage for a drilling program of more than 100 exploration wells during 1990.

Development activity was extensive during 1989, adding 12.7 million barrels of oil equivalent to the proven plus probable reserves base, contributing 3,000 barrels per day and 60 million cubic feet per day of production capability, all from development drilling, horizontal drilling, and enhanced recovery projects. Specifically, the development program in 1989 successfully addressed the objectives of:

- evaluating the Company's traditional heavy oil reserve base;
- developing new pools of conventional crude oil, maximizing waterflood recoveries from existing pools in southeast and southwest Saskatchewan, establishing several new waterflood projects; and
- developing and tying in significant volumes of natural gas reserves to complete the development of assets acquired in 1988.



Focus: Saskoil's Natural Gas Exploration and Development Program in Northwest Saskatchewan/Northeast Alberta

Saskoil increased its productive capability in this area by 30 million cubic feet per day of natural gas in 1989 as a result of development drilling and facilities construction.

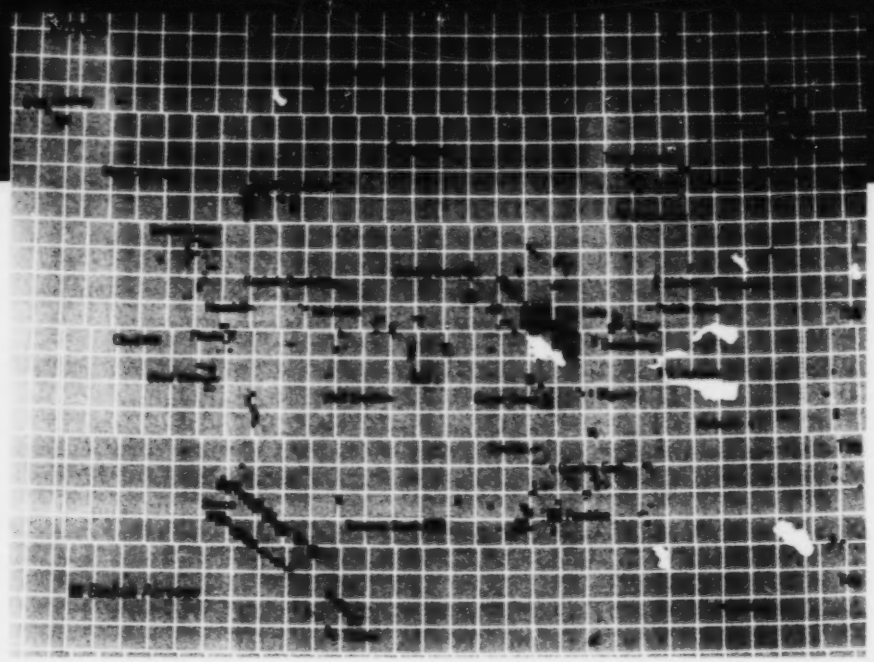
This success provided the basis for a strengthening of Saskoil's regional position, with subsequent land additions culminating in the third quarter purchase of a 100 per cent working interest in an additional 293,000 net acres north of the Beacon Hill field, including a portion of the Primrose Lake Air Weapons Range.

Saskoil has defined an aggressive exploration and development program for the region during 1990. The drilling of five successful exploration wells in late 1989 has identified in excess of 30 billion cubic feet of natural gas reserves which should be developed by the spring of 1990.

Exploration activities will continue over the next two to three years. The use of seismic has been found to be very effective in reducing drilling risk, and has provided drilling success rates as high as 90 per cent. Typical drilling results in the area produce an average of one to two billion cubic feet of natural gas reserves per well and are characterized by high productivities in the range of two to three million cubic feet per day.

Saskoil also has major land interests to the west on the Alberta side of the border, including the Ashmont-St. Lina area. Saskoil's land interests total 117,500 net acres, and current net production is 16 million cubic feet per day. Exploration prospects have been identified which will lead to exploration and development drilling in 1990 and beyond.

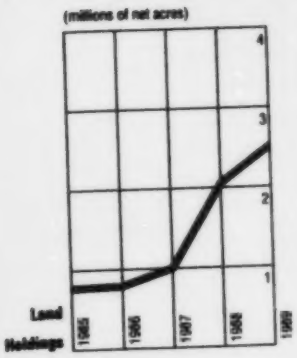
This region is expected to be a key area of activity in the near-term, providing early contributions to sales and cash flow.



Focus: Deep Drilling Potential for Significant Oil and Gas Reserves in Northern Alberta

An area of focus for Saskoil's aggressive 1990 exploration drilling program is located in west central and northern Alberta. Saskoil has acquired 79,000 net acres prospective for large reserves of gas, primarily through participation in land sales during 1989. The area complements the Company's shallow gas prospects by offering the potential for greater reserve additions and productive capability. The greater risk and longer lead time required for exploration and development in the area is compensated for by the quality and longevity of the reserves.

During 1990, Saskoil will participate in approximately 23 exploratory tests on these lands. The Company is committing approximately $13 million to exploration drilling in the area. Exploration risk here is higher than in the Company's shallow gas exploration areas. However, the substantially larger potential reserves additions and production growth justify an active capital program over the next five years.



Through purchases and acquisitions, Saskoil added to its extensive undeveloped and producing land base in western Canada. Saskoil had a total of 2.5 million net acres of undeveloped land holdings as of December 31, 1989, compared with 1.5 million net acres held at the end of 1988.

A major gas-prospective acreage purchase of almost 300,000 net acres was completed in the northwest Saskatchewan region which will be an area of exploration and development focus through 1990 and 1991. High working interest lands were purchased in oil-prospective areas of southeast Saskatchewan and in shallow gas prospective areas in the southwest of the province. Land purchases in Saskatchewan during 1989 were completed at an average cost of $19 per acre.

In Alberta, 52,000 net acres of quality lands were acquired in the Peace River Arch oil prospective area and over 30,000 net acres were acquired in the northeast portion of the Province to target shallow gas. Deeper, high reserve gas prone areas in west central Alberta, extending into British Columbia, represented an acreage purchase program which could contribute to significant increases in reserves when drilled. Alberta land acquisition prices averaged $40 per acre in 1989. As part of the objective of diversity within western Canada, Saskoil will look for early opportunities to expand its position in British Columbia.

Saskoil took the first steps in establishing a long term international exploration program in 1989 by acquiring two concessions in the southern gas basin of the North Sea, offshore The Netherlands and offshore the United Kingdom. Onshore exploration rights in France and offshore acreage in Spain are pending. Saskoil instigated this activity as part of its longer range goal of developing resources which have the potential for significant impact on the Company's continued growth.

Acreage Report

December 31, 1989

	Producing		Non-Producing		Total	
	Gross	Net	Gross	Net	Gross	Net
Alberta	1,252,129	439,005	2,558,452	989,539	3,810,581	1,428,544
British Columbia	40,145	4,500	251,668	74,114	291,813	78,614
Saskatchewan	801,496	389,084	2,030,040	1,417,776	2,831,536	1,806,860
Manitoba	1,157	724	12,097	8,228	13,254	8,952
Ontario	—	—	15,063	12,865	15,063	12,865
Canadian Frontier	—	—	157,754	5,955	157,754	5,955
Foreign	—	—	104,324	17,768	104,324	17,768
Total	**2,094,927**	**833,313**	**5,129,398**	**2,526,245**	**7,224,325**	**3,359,558**

The above excludes inert gas rights held in southwestern Saskatchewan.

Activity

Saskoil was one of the most active oil and gas operators in Canada during 1989. A total of 215 (151 net) exploration and development wells were drilled, of which 125 (97 net) were completed as gas wells, 53 (32 net) were completed as oil producers, and eight (six net) as service wells.

Drilling Activity

	Saskatchewan		Alberta		Other		Total	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Oil	40	29	11	2	2	1	53	32
Gas	93	84	32	13	—	—	125	97
Service	7	6	1	0	—	—	8	6
Dry	15	12	13	4	1	0	29	16
Total	**155**	**131**	**57**	**19**	**3**	**1**	**215**	**151**

Exploration Drilling

Exploration drilling activity was balanced between Saskatchewan and Alberta prospects. Of the 49 (31 net) exploration wells drilled during 1989, 24 (21 net) were drilled in Saskatchewan, 23 (9 net) in Alberta and the balance in Manitoba and Ontario. The exploration drilling program yielded 13 (9 net) oil and 18 (11 net) gas discoveries respectively.

Oil discoveries of note were made at Chandler, Torquay, Coothill and Red Jacket in Saskatchewan and at Shekeilie in Alberta. Gas discoveries included wells at North Beacon, Senate and Baldwinton in Saskatchewan as well as Drowned and Shekeilie in Alberta.

Saskoil was the operator of 51 per cent of all exploratory wells.

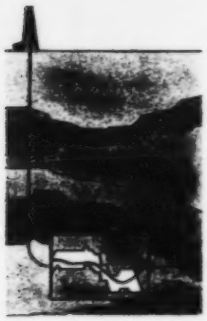
Development Drilling

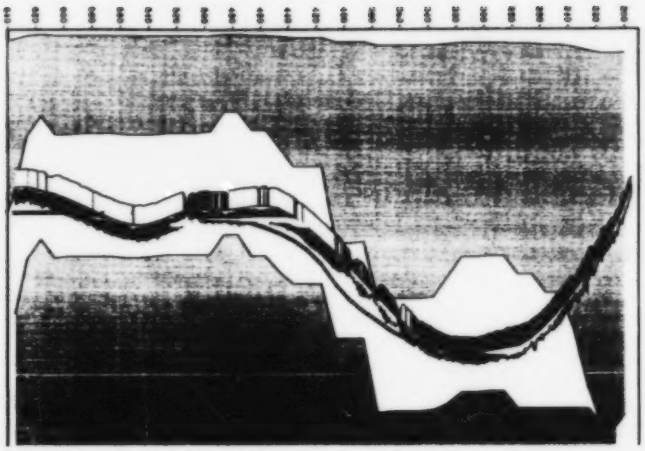
Development drilling activities were focused primarily in Saskatchewan in order to pursue shallow gas reserves and add gas production capability. Saskoil drilled a total of 166 (120 net) development and service wells in 1989 with 131 of the wells located in Saskatchewan. The Company acted as operator for 77 per cent of these wells.

As a follow-up to the Chandler oil discovery made in early 1989 and to expand the Elswick Mississippian oil pool development, 15 wells were drilled in southeast Saskatchewan.

During 1989, Saskoil continued its aggressive level of gas well drilling activity. A total of 93 (73 net) shallow development gas wells were cased in the principal gas producing properties of Hatton, Medicine Hat, Horsham, Crane Lake and Senate of southwest Saskatchewan and southeast Alberta. Eleven natural gas development wells were completed in the Bronson, Beacon Hill, and Fort Pitt areas of northwest Saskatchewan. These wells were drilled to further delineate natural gas discoveries and comprise the first phase of development drilling for these promising natural gas properties.

We don't pretend to have "invented"
high technology
used in the industry today.
But we attempt to apply
technology in a way which
will get the most from our available resources.





Through the use of a cased hole log, run by a service rig, the geological lithology encountered by a Saskoil horizontal well can be evaluated. The image indicates the success with which the drill bit was guided along the pay zone, at times deviating direction up to six degrees. Technology for increasing drilling accuracy and for recording reservoir quality encountered in the well continues to improve at a phenomenal rate. Saskoil will apply horizontal drilling technology in new areas during 1990, participating in up to 15 wells.

ommitted to new application of existing technology as a cost effective means to maximize exploitation of its resources.

Development Drilling Technology Update: Horizontal Drilling

A highlight of 1989 development drilling was the successful implementation of horizontal drilling technology at Plover Lake and Winter, Saskatchewan where seven horizontal wells were drilled by Saskoil. These efforts added to Saskoil's technical and operations expertise, the benefits of which included significantly lower drilling costs with each subsequent well.

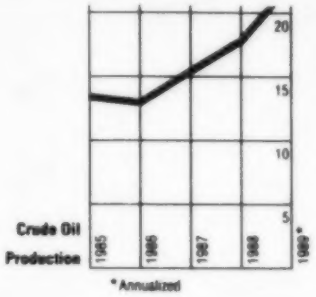
Saskoil is confident that horizontal drilling will be a viable method of development drilling in other areas because of the inhouse expertise accomplished through 1989. Use of this technique will be extended to a broad range of drilling targets where there is potential to enhance recoverable reserves compared to conventional drilling and completion methods. Saskoil is also considering the potential for horizontal drilling in formulating long term land acquisition and exploration strategies.

1990 Drilling Program

Saskoil expects to participate in more than 350 exploration and development wells during 1990. Exploration drilling activity will likely exceed 100 wells, with two-thirds of the program directed to Alberta prospects and the remainder weighted towards Saskatchewan.

Development drilling activity will exceed 200 wells with over 60 per cent of drilling targeted to natural gas projects. To complement the shallow gas emphasis of 1989, the 1990 program will include the drilling of several deep Alberta gas well locations, some of which target high volume gas reserves with sulphur and liquids byproducts.

Saskoil will operate at least 70 per cent of all exploration and development drilling projects in 1990.



Effective marketing programs and strict cost control measures increased Saskoil's production levels and improved operating efficiency for 1989.

Average annualized daily crude oil and natural gas liquids production for 1989 reached 22,400 barrels per day, a 25 per cent increase from the 1988 level of 17,900 barrels per day. Annualized natural gas production for 1989 averaged 196.4 million cubic feet per day, a dramatic 245 per cent increase from the 1988 level of 57 million cubic feet per day. The significant production increases realized in 1989 are the result of exploration, development, and enhanced oil recovery operations combined with an aggressive land acquisition program.

The acquisition of ICG Resources Ltd. is the largest single source of production increases and has been accounted for in the 1989 totals through annualized production volumes of 4,000 barrels per day and 58 million cubic feet per day. Further increases are expected in 1990 as the evaluation, optimization, and development of these newly acquired properties continues.

Production Mix

	1989 (Financial Statement)	1989 Annualized	1988
Saskatchewan:			
Light-medium oil (mmbbls)	3.5	3.5	3.2
Heavy oil (mmbbls)	2.4	2.4	2.1
Natural gas (bcf)	32.6	33.3	7.6
Alberta:			
Light-medium oil (mmbbls)	1.8	2.3	1.1
Natural gas (bcf)	31.1	38.4	13.5
Combined:			
Oil and NGLs (mmbbls)	7.7	8.2	6.4
Natural Gas (bcf)	63.7	71.7	21.1

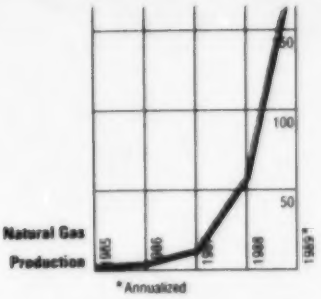
The operations of ICG Resources Ltd. from the beginning of May 1989, the date of signing the definitive share purchase agreement, (see Note 2, p. 50), have been consolidated with Saskoil's operations.
To reflect the full impact of the acquisition which was effective January 1, 1989, annualized cash flow and production numbers have been used in this table. The term "annualized" refers to the consolidated results of Saskoil and ICG Resources Ltd. for 12 months of 1989.

Crude Oil

Production increases in light crude oil (gravity greater than 30°API) were realized, by the acquisition of ICG Resources Ltd. and by further development drilling on those lands during 1989. Saskoil's light crude oil represents 41 per cent of its total crude oil production volumes, or 9,100 barrels per day in 1989.

Saskoil's light crude oil and NGLs production averaged sales prices of $19.67 per barrel in 1989. Operating costs of $3.95 per barrel, and the lower royalty rate which applies to this production base primarily located in Alberta, resulted in a cash netback of $12.19 per barrel for this segment of the Company's crude oil production.

Saskoil's medium crude oil production (gravity between 20° and 30° API), from various producing projects in Alberta and Saskatchewan, received improved product prices compared to a year earlier. The result, after operating costs of $4.92, was a cash netback of $7.45 per barrel for medium crude oil production, which averaged 6,700 barrels per day in 1989.



Advancements in enhanced oil recovery technology were successfully applied to various Saskoil heavy oil operating areas. Enhanced oil recovery operations resulted in a 12 per cent increase in heavy oil production in 1989, reaching an average of 6,600 barrels per day. At an average sales price of $13.95 per barrel and operating costs of $3.97 per barrel, Saskoil's heavy oil operations achieved cash netbacks of $8.25 per barrel.

New waterfloods were installed at Marsden South and Midale South and waterflood work was completed at Marsden, Court, Bone Creek, Buffalo Coulee, West Buffalo Coulee and Weyburn, all in Saskatchewan. Waterflood pilot projects also were initiated at Luseland, Senlac, Neilburg and Evesham in the west central region of Saskatchewan. These projects are intended to establish the limits of heavy oil waterflooding and provide valuable information for future resource recovery technology applications. Saskoil's pilot projects are intended to enhance knowledge and gather information in addition to being self-sustaining and profitable.

Crude Oil and NGLs Unit Cash Flows
(dollars per barrel)

	1989	1988
Saskatchewan — Light/Medium		
Production (mbbls)	3,452	3,258
Sales price	$17.47	$14.19
Royalties (before credits)	4.35	3.43
Operating expense	4.90	5.08
Netback	$ 8.22	$ 5.68
Saskatchewan — Heavy		
Production (mbbls)	2,399	2,140
Sales price	$13.95	$10.18
Royalties (before credits)	1.73	1.23
Operating expense	3.97	3.97
Netback	$ 8.25	$ 4.98
Alberta		
Production (mbbls)	1,818	1,151
Sales price	$19.92	$16.31
Royalties (before credits)	2.85	2.48
Operating expense	3.70	4.25
Netback	$13.37	$ 9.58
Combined		
Production (mbbls)	7,669	6,549
Sales price	$16.94	$13.25
Royalties (before credits)	3.17	2.55
Operating expense	4.32	4.57
Netback	$ 9.45	$ 6.13

Production numbers included in the above table are not annualized.

In December 1989, Saskoil purchased crude oil producing interests located in southwest Saskatchewan. Net December production of 1,770 barrels per day of medium crude oil was added with this purchase.

Saskoil continued its trend of steadily improving operating efficiency by reducing average operating costs from $4.57 per barrel in 1988, to $4.32 per barrel in 1989. The Company has been particularly successful at minimizing the operating costs and maximizing the productivity of heavy oil pools.

Crude Oil and NGLs Production From Major Properties

	Dec. 1989 (bbls/d)	Average Annual (bbls/d) 1989	1988
Saskatchewan			
Marsden	1,352	1,643	1,356
Court	1,695	1,329	954
Battrum	1,472	1,304	1,222
Weyburn	844	782	701
Plover Lake	1,085	661	615
Cactus Lake	623	580	693
Senlac	610	576	314
Neilburg	342	460	608
Instow	458	457	480
Fosterton	627	443	454
Cantuar	487	388	363
Elswick	438	343	93
Bone Creek	294	303	329
Other	7,827	6,798	6,499
Total Saskatchewan	**18,154**	**16,067**	**14,681**
Alberta			
Joffre D-3 U.#1	871	790	
Kidney Non-Unit	764	691	
Rycroft	524	530	553
Spirit River	448	416	408
Other	2,793	3,853	2,181
Total Alberta	**5,400**	**6,280**	**3,142**
Manitoba	**79**	**67**	**69**
Total Company	**23,633**	**22,414**	**17,892**

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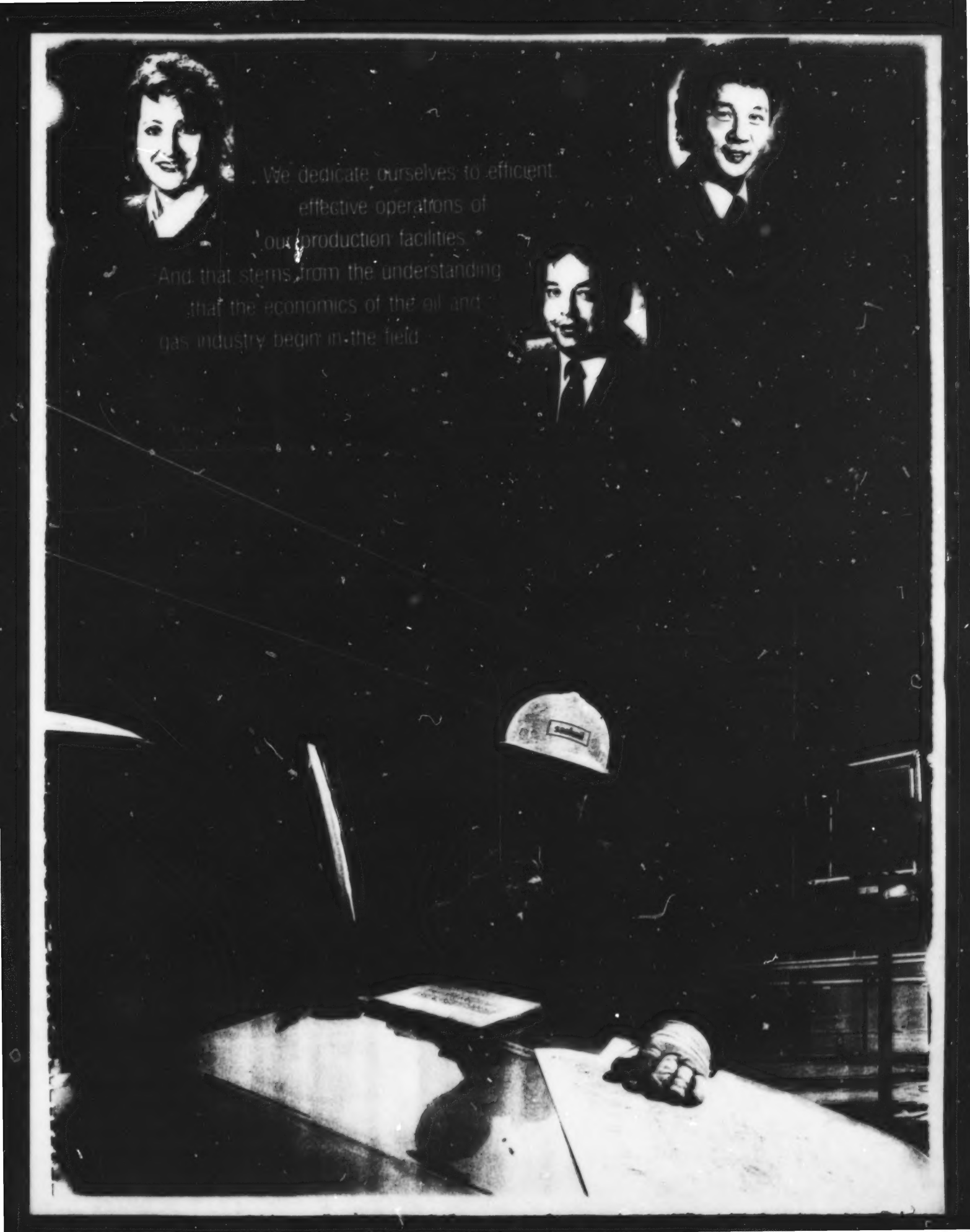
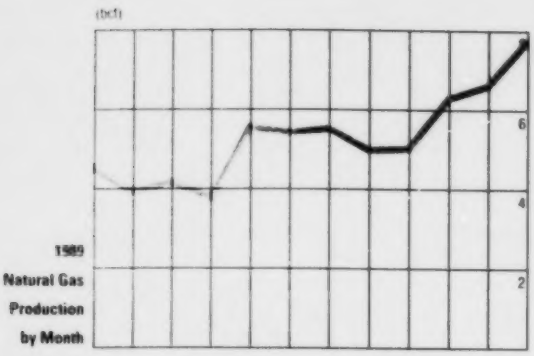
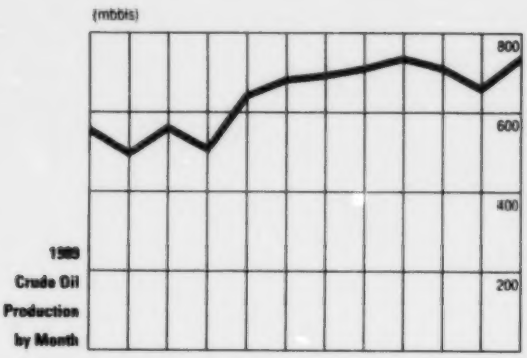
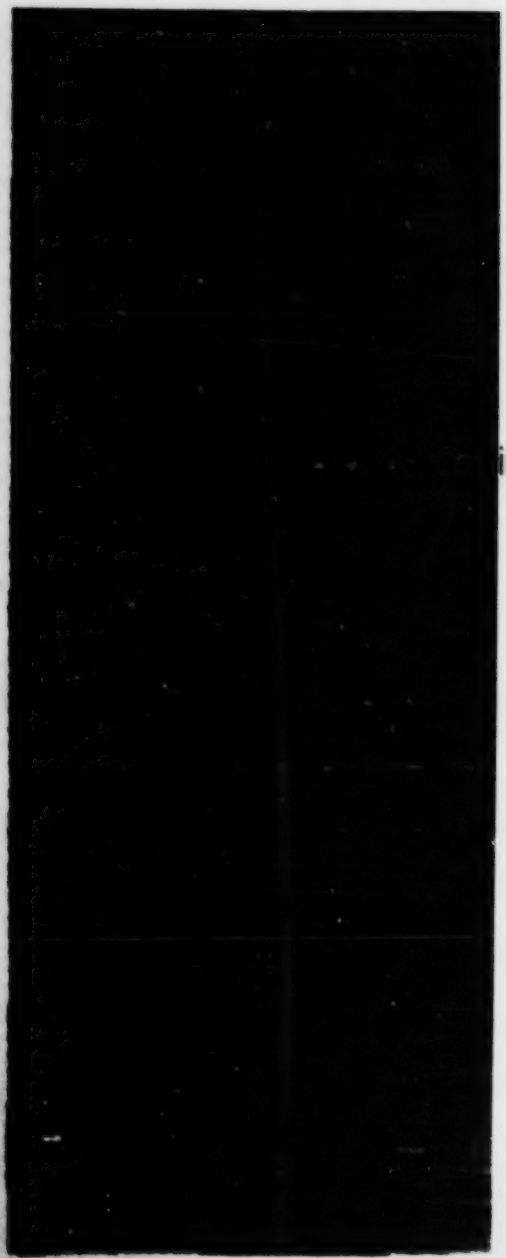
Natural Gas

During 1989, Saskoil completed the evaluation and development of all major properties acquired from SaskPower. By year-end 1989, an additional 55 million cubic feet per day of production capacity had been developed from this core asset, bringing total production capacity from the SaskPower lands to 200 million cubic feet per day. This production target for natural gas was presented in the 1988 annual report.


We dedicate ourselves to efficient
effective operations of
our production facilities.
And that stems from the understanding
that the economics of the oil and
gas industry begin in the field.







inually monitoring and improving operating efficiencies is at the core of Saskoil's on-going success.

Saskoil's 1989 natural gas production capacity increases were sourced from new developments at Senate, Hatton East, and Battle Creek in southwest Saskatchewan, North Dodsland in west central Saskatchewan and Fort Pitt, Frenchman's Butte, Bronson Lake, Makwa and Beacon Hill in northwest Saskatchewan. Facility improvements at Medicine Hat and extensive contract maintenance drilling programs were undertaken at Hatton, Horsham, and Rosevear.

The major contribution from the SaskPower properties, combined with the extensive shallow gas development drilling program, brought Saskoil's total production capacity at year end 1989 to in excess of 260 million cubic feet per day.

Natural Gas Production From Major Properties

	December 1989 (mcf/d)	Average Annual (mcf/d)	
		1989	1988
Saskatchewan	49,707	43,103	10,729
Hatton	8,436	12,754	4,110
Beacon Hill	9,467	7,568	
Horsham	4,131	4,547	
Crane Lake	1,392	3,602	2,986
Smiley	6,030	2,667	
Bronson Lake N.	3,498	2,506	
Dodsland North	3,787	1,905	
Frenchman's Butte	27,882	12,602	2,869
Other	**114,330**	**91,254**	**20,694**
Total Saskatchewan			
Alberta	44,540	36,024	16,565
Medicine Hat	7,072	6,675	
Cowpar/Chard	7,375	5,768	
Rosevear South U	2,090	2,820	3,397
Atmore	4,180	2,809	1,914
Saddle Lake	2,755	2,763	
Savanna Creek	3,048	2,564	
Heart River	5,269	4,330	
Leafland	1,921	2,316	1,120
Ashmont	1,782	2,049	
Tweedie	4,286	2,347	1,382
Esther	1,127	1,390	720
Bawlf	1,166	1,181	1,060
Craigmyle	51,692	32,075	10,761
Other	**138,303**	**105,111**	**36,919**
Total Alberta	**252,633**	**196,365**	**57,613**
Total Company			

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Saskoil's average natural gas operating expenses for 1989 were $0.30 per thousand cubic feet, in line with the 1988 average unit operating cost of $0.28 per thousand cubic feet. The increased operating expense for 1989 is mainly due to the higher processing costs of Alberta natural gas, which typically contains greater sour gas and hydrocarbons liquids content.

With product prices averaging $1.36 per thousand cubic feet in 1989, Saskoil achieved a cash netback from gas sales of $0.81 per thousand cubic feet.

Natural Gas Unit Cash Flows
(dollars per mcf)

	1989	1988
Saskatchewan		
Production (millions of cubic feet)	32,568	7,574
Sales price	$ 1.36	$ 1.31
Royalties (before credits)	0.30	0.31
Operating expense	0.17	0.19
Netback	$ 0.89	$ 0.81
Alberta		
Production (millions of cubic feet)	31,128	13,512
Sales price	$ 1.36	$ 1.29
Royalties (before credits)	0.21	0.24
Operating expense	0.42	0.33
Netback	$ 0.73	$ 0.72
Combined		
Production (millions of cubic feet)	63,696	21,086
Sales price	$ 1.36	$ 1.30
Royalties (before credits)	0.25	0.26
Operating expense	0.30	0.28
Netback	$ 0.81	$ 0.76

Production numbers included in the above table are not annualized.

1990 Outlook

The Company forecasts that 1990 crude oil and natural gas liquids production will increase significantly, averaging an anticipated 27,500 barrels per day in 1990 contributed by:

- the acquisitions completed during 1989; and
- an aggressive development program of drilling, facilities, and enhanced recovery operations.

The projected 1990 production does not include any increases due to exploration.

Natural gas production is expected to average in excess of 260 million cubic feet per day for 1990. Peak production levels in late 1989 reached 260 million cubic feet per day. With the expected capacity additions of more than 40 million cubic feet per day added during 1990, sales volumes should exceed 300 million cubic feet per day by the end of 1990.

Saskoil continued an aggressive program to increase and diversify its reserves base through acquisition, exploration and development. The result was a reserve base which increased by approximately 46 per cent with an improved balance between crude oil and natural gas reserves distributed throughout western Canada. In particular, the acquisition of ICG Resources Ltd. and increased interests in southeast Saskatchewan oil producing properties also significantly improved Saskoil's crude oil portfolio, increasing the proportion of medium and light crude to 70 per cent.

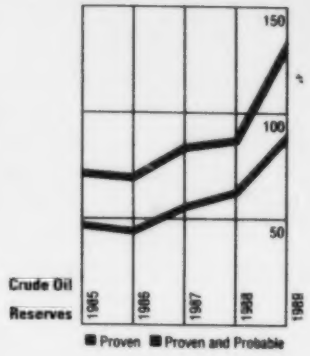
Saskoil's operatorship and control of properties was enhanced during 1989. At year-end, Saskoil operated and controlled over 60 per cent of its crude oil assets and over 70 per cent of its natural gas assets.

The figures quoted in this section of the annual report describing the Company's reserves, are derived from a Coles Gilbert Associates Ltd. reserve evaluation and appraisal study which evaluated Saskoil's assets as of December 31, 1989. This independent analysis was extremely thorough and evaluated 128 properties which encompass 90 per cent of Saskoil's total proved hydrocarbon liquid reserves and 80 per cent of total proved gas reserves. These properties represent approximately 90 per cent of the value of the reserves.

	Crude Oil (mmbbls)			Natural Gas Liquids (mmbbls)			Sulphur (mtons)		
Reserves Reconciliation	**Total Proven**	**Probable**	**Total**	**Total Proven**	**Probable**	**Total**	**Total Proven**	**Probable**	**Total**
As at December 31, 1988	62.2	24.5	86.7	0.0	0.0	0.0	0.0	0.0	0.0
Additions	5.1	1.8	6.9	0.0	0.0	0.0	0.0	0.0	0.0
Revisions	6.4	9.0	15.4	(2.2)	0.6	(1.6)	(48.9)	(6.0)	(54.9)
Acquisitions	21.3	7.7	29.0	5.5	0.1	5.6	315.2	54.1	369.3
Production	(7.4)	0.0	(7.4)	(0.2)	0.0	(0.2)	(14.8)	0.0	(14.8)
As at December 31, 1989	**87.6**	**43.0**	**130.6**	**3.1**	**0.7**	**3.8**	**251.5**	**48.1**	**299.6**
Per cent Change	41%	76%	51%						

Production numbers included in the above table are not annualized.

Reserves Position



Crude Oil Reserves Position

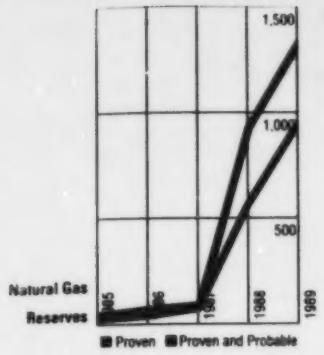
As at December 31, 1989

(millions of barrels)

Reserves by Product Type	Total Proven	Probable	Total	Per cent
Light	18.2	7.5	25.7	19.7%
Medium	44.7	21.4	66.1	50.6%
Heavy	24.7	14.1	38.8	29.7%
Total	**87.6**	**43.0**	**130.6**	**100.0%**

Reserves by Geographic Area	Total Proven	Probable	Total	Per cent
Saskatchewan	75.6	38.2	113.8	87.1%
Alberta	11.6	4.6	16.2	12.4%
Manitoba	0.3	0.1	0.4	0.3%
British Columbia	0.1	0.1	0.2	0.2%
Total	**87.6**	**43.0**	**130.6**	**100.0%**

Summary of Major Producing Fields	% Working Interest	Total Proven	Probable	Total
Saskatchewan				
Battrum Unit No 1	20	6.0	2.6	8.6
Battrum Unit No 2	43	2.6	1.0	3.6
Beverley Cantuar Vol Unit 1	37	1.2	0.8	2.0
Beverley N Cantuar Vol Unit 1	38	1.1	1.0	2.1
Beverley Unit 1	40	1.2	0.4	1.6
Cactus Lake Vol Unit 2	33	5.2	2.3	7.5
Court Vol Unit 1	74	6.2	2.4	8.6
Elswick	89	2.8	0.8	3.6
Fosterton Main Unit	49	2.2	0.4	2.6
Instow Unit	20	2.8	0.6	3.4
Marsden South Vol Unit 1	76	4.3	2.0	6.3
North Premier Vol Unit 4	40	1.1	0.4	1.5
Plover Lake	95	2.3	2.4	4.7
Success Unit	23	1.0	0.3	1.3
Verlo Roseray Sand Unit	33	1.1	1.3	2.4
Weyburn Unit	3	2.0	0.5	2.5
Total Saskatchewan		**43.1**	**19.2**	**62.4**
Alberta				
Joffre D3B Oil Unit 1	43	1.6	0.9	2.5
Kidney	28	1.9	0.8	2.7
Leafland Cardium Unit	54	0.9	0.5	1.4
Lubicon	17	1.1	0.2	1.3
Rycroft Units	12	1.3	0.3	1.6
Spirit River Unit	11	0.9	0.2	1.1
Total Alberta		**7.7**	**2.9**	**10.6**
Other Oil Properties		**36.8**	**20.9**	**57.7**
Total Oil Properties		**87.6**	**43.0**	**130.7**



Natural Gas Reserves Position

(billion cubic feet)

Reserves Reconciliation	Proven	Probable	Total
As at December 31, 1988	569.5	358.5	928.0
Additions	55.8	2.5	58.3
Revisions	3.9	(21.0)	(17.1)
Acquisitions	376.4	35.8	412.2
Production	(63.7)	0.0	(63.7)
As at December 31, 1989	941.9	375.8	1,317.7
Per cent Change	65%	5%	42%

Production numbers included in the above table are not annualized.

Reserves by Geographic Area	Proven	Probable	Total	Per cent
Saskatchewan	602.5	293.9	896.4	68.0%
Alberta	328.9	80.8	409.7	31.1%
Manitoba	—	—	—	0.0%
British Columbia	10.5	1.1	11.6	0.9%
Total	941.9	375.8	1,317.7	100.0%

Summary of Major Producing Fields	% Working Interest	Total Proven	Probable	Total
Saskatchewan				
Beacon Hill	76	70.6	59.8	130.4
Bronson Lake	75	36.3	14.4	50.7
Cypress Hills	100	57.3	62.2	119.5
Hatton	69	212.2	31.1	243.3
Horsham	98	45.2	6.6	51.8
Luseland	100	13.1	44.5	57.6
Total Saskatchewan		**434.7**	**218.6**	**653.3**
Alberta				
Medicine Hat	80	75.3	3.4	78.7
Savanna Creek	28	14.5	4.4	18.9
South Rosevear Unit 1	30	32.2	2.4	34.6
Cowpar	73	42.7	13.6	56.3
Total Alberta		**164.7**	**23.8**	**188.5**
Minor Gas Properties		**342.5**	**133.4**	**475.9**
Total Natural Gas Reserves		**941.9**	**375.8**	**1,317.7**

Saskoil's heavy oil resource base of over two billion barrels of oil-in-place is targeted to increase by another two to three billion barrels by 1994, through continued exploration and development drilling, and by strategic acquisitions.

The successful application of horizontal drilling has resulted in a significant increase in proven heavy oil reserves in the Winter field. This area could not be credited with commercial crude oil reserves prior to the implementation of horizontal drilling and well completion practices.

Acquisition and development activities in 1989 increased total proved reserves to 90.7 million barrels of crude oil and NGLs and 941.9 billion cubic feet of gas, an increase of 46 per cent in total proved crude oil and NGLs reserves and a 65 per cent increase in total proved natural gas reserves. The market value of these reserves was enhanced by the addition of lighter, higher quality crude streams together with a higher product price estimate. Many of these reserves were obtained through the ICG Resources Ltd. acquisition.

The ICG Resources Ltd. acquisition also added value through reduced crude oil royalties, as the majority of the ICG Resources Ltd. crude oil assets are in Alberta, which has a lower royalty rate than Saskatchewan.

Potential Additional Crude Oil Reserves

Pool	Process	Gross Original Oil in Place (mmbbls)	Incremental Recovery Factor %	Gross Recoverable Oil (mmbbls)	Working Interest %	Net Additional EOR Reserves (mmbbls)
Operated						
Joffre	Hydrocarbon/Miscible	11.6	30.0%	3.5	43.0%	1.5
Luseland	Steam	58.3	25.0%	14.6	33.0%	4.8
Court	Steam	61.5	25.0%	15.4	74.0%	11.4
Marsden	Steam	69.9	25.0%	17.5	74.0%	12.9
Plover Lake	Steam	46.0	45.0%	20.7	97.0%	20.1
Buffalo Coulee	Fireflood	20.1	25.0%	5.0	50.0%	2.5
Senlac	Fireflood	67.7	25.0%	16.9	100.0%	16.9
Bone Creek(1)	Polymer	79.9	4.0%	3.2	46.8%	1.5
Hastings(2)	Polymer	14.9	9.5%	1.3	45.0%	0.6
Onion Lake	Steam	261.6	5.0%	13.1	100.0%	13.1
Winter(3)	Horizontal	260.0	4.5%	11.7	50.0%	5.9
Frog Lake	Development	187.0	5.0%	9.4	75.0%	7.0
Hearts Hill	Horizontal	62.0	9.0%	5.6	100.0%	5.6
Sub Total		**1,200.5**		**137.9**		**103.8**
Non-Operated						
Sub Total		**838.0**				**27.0**
Total		**2,038.5**				**130.8**

(1) Polymer/Chemical (2) CO_2/Hydrocarbon (3) Horizontal wells and primary combined with thermal recovery methods could raise the recovery factor

The present value of established reserves (proven plus one-half probables), discounted at 15 per cent before tax, and the value of the Company's unexplored land portfolio, together with the necessary balance sheet adjustments, results in a net asset value increase in 1989 of 13 per cent per common share on a fully diluted basis.

Asset value per fully diluted common share

(millions of dollars)

	1989	1988
Reserve values discounted at 15% before income taxes (1)	$1,271.7	$760.4
Undeveloped acreage (2)	67.7	59.0
Working capital	8.5	18.1
Long-term debt	(329.4)	(195.3)
Other	(15.1)	(2.2)
Proceeds on exercise of warrants and options	64.7	61.9
Total	**$1,068.1**	**$701.9**
Fully diluted common shares (millions)	69.1	51.4
Net asset value per fully diluted common share	$15.46	$13.66

(1) 1989 reserves were determined by Coles Gilbert and inhouse engineers. 1988 reserves were determined by inhouse engineers.
(2) 1989 determined by Coles Gilbert. 1988 was determined by inhouse land appraisers.

Summary Of Reserves Position

	As at December 31, 1989			As at December 31, 1988		
	Crude Oil and NGLs (mmbbls)	Natural gas (bcf)	Present value discounted at 15% ($millions)	Crude Oil and NGLs (mmbbls)	Natural gas (bcf)	Present value discounted at 15% ($millions)
Proved Producing	83.9	568.0	$ 874.5	56.0	319.0	$ 444.0
Proved Undeveloped	6.8	373.9	226.4	6.2	250.5	187.9
Total proved	90.7	941.9	1,100.9	62.2	569.5	631.9
Probable	43.7	375.8	170.8	24.5	358.5	128.5
Total	**134.4**	**1,317.7**	**$ 1,271.6**	**86.7**	**928.0**	**$ 760.4**

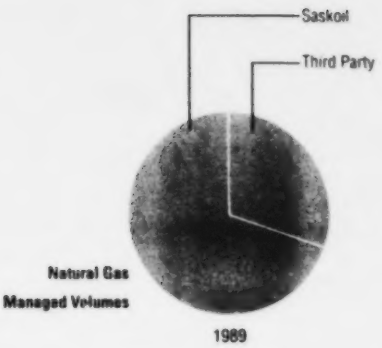
Key Assumptions

1. The reserves at December 31, 1989 were estimated by Coles Gilbert whereas the reserves at December 31, 1988 were estimated by the Company's engineering staff.
2. The reserves at December 31, 1989 reflect the ICG Resources Ltd. acquisition.
3. As is typical in such analyses, a risk factor of 50 per cent has been applied to future revenues from probable reserves to account for geological and engineering uncertainty.
4. The methodology employed assumes the continuance of current regulations and takes into account inflation with respect to future operating and capital costs.
5. The oil and gas price forecasts used are as follows:

	Oil Prices		Gas Prices		
	$US/bbl	$Cdn./bbl	$/million BTU		
	W.T.I. at Cushing D2/S2	Edmonton City Gate D2/S3	Saskatchewan Solution Gas	Saskatchewan New Gas	Alberta
1990	19.00	21.50	1.25	1.65	1.60
1991	20.50	23.25	1.30	1.75	1.75
1992	22.75	25.75	1.45	1.95	1.95
1993	25.25	28.75	1.70	2.25	2.25
1994	28.25	32.25	2.00	2.70	2.70

The oil price escalates to $46.25 by the year 2000 and escalates five per cent per year thereafter. The gas price escalates to $5.30, $5.30, and $4.00 by the year 2000 for Alberta, Saskatchewan new gas and Saskatchewan solution gas, respectively, and escalate five per cent thereafter.

Marketing



Saskoil has become an effective marketer of crude oil and natural gas by building a marketing organization, Wes Cana Energy Marketing Inc., with expertise and flexibility, backstopped by a strong productive capability to serve markets. These key elements have been implemented over the last few years by developing internal resources and through strategic acquisitions.

In March 1989, Saskoil acquired Metro Gaz Marketing inc. and its subsidiaries, Canadian Natural Gas Clearing House Inc. and Kanngaz Producers Ltd. The entity had an existing contracted gas supply of 750 billion cubic feet with a number of Alberta-based independent gas producers to supply industrial customers in eastern Canada and the Tennessee Gas Pipeline Company in the United States.

The acquisition strengthened Saskoil's position by providing access to new markets, particularly the U.S. market, and by increasing access to system pipelines. Saskoil now sells crude oil and natural gas to a broad portfolio of markets, creating the opportunity for significant sales volume growth.

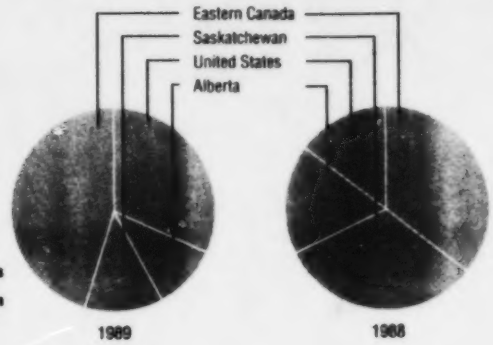
A comparison of Saskoil's gas volumes and markets for December 1988 and December 1989 illustrates the Company's strong marketing position.

Natural Gas Market Distribution

	Average for the month of December			
	1989		1988	
Location	Mmcf/d	%	Mmcf/d	%
Eastern Canada	167.6	45.4%	51.2	35.9%
United States	118.2	32.0%	20.8	14.6%
Saskatchewan	45.8	12.4%	45.3	31.8%
Alberta	37.5	10.2%	25.2	17.7%
	369.1	100.0%	142.5	100.0%

Saskoil Managed Gas Production

	Average for 1989 (mmcf/d)	Average for 1988 (mmcf/d)
Saskoil	196.4	57.6
Third Party	87.5	—
Total controlled production	**283.9**	**57.6**



Natural Gas Market Distribution

Marketing efforts in 1990 will result in increased sales volumes of more than 60 million cubic feet per day, with most of the growth expected in export sales. Transportation from field to market will continue to be the single most important factor in taking advantage of markets and increasing gas sales. The quick response time to transportation access ensures a ready market for Saskoil and contracted third party production at market competitive prices.

Crude oil marketing underwent some subtle shifts in 1989 as a result of the Company's strengthened asset base throughout Saskatchewan. Saskoil has diversified its markets, becoming a substantial supplier to major refiners of heavy oil. As well, Saskoil has continued its program of exercising marketing control by becoming a purchaser and shipper of the Midale, Saskatchewan production stream of medium crude oil. This approach has resulted in higher prices and improved netbacks.

Crude oil and regional transportation will continue to be a priority for Saskoil and will be supported by increased control of its operating programs and a larger reserves base.

Saskoil continues to monitor opportunities to expand and strengthen its marketing and transportation options as the most effective means of increasing production sales and obtaining optimum prices.

Crude Oil Purchasers

Saskoil Barrels — Crude Oil and NGLs	1989 Avg. Bbls/d	1989 %	1988 Avg. Bbls/d	1988 %
Newgrade	6,000	26.8	1,400	7.8
Koch	4,000	17.8	5,500	30.7
Union	3,900	17.4	3,500	19.6
Imperial Oil	2,100	9.4	0	0.0
Laketon	1,900	8.5	0	0.0
Gulf	700	3.1	1,300	7.3
Mobil	0	0.0	2,000	11.2
Texaco	0	0.0	1,100	6.1
Various	3,800	17.0	3,100	17.3
Total	**22,400**	**100.0**	**17,900**	**100.0**

Production numbers included in the above table are not annualized.

Management's Discussion and Analysis

Review of 1989 Financial Performance

Saskoil capitalized on the opportunities presented in the energy industry through 1989 by implementing an active exploration and development program and completing a number of strategic acquisitions.

The result of the activity was continued diversification and expansion of Saskoil's resource base, while also preserving a conservative balance sheet through an infusion of equity and tax effective financing.

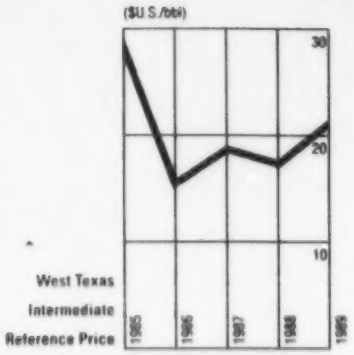
The operations of ICG Resources Ltd., from the beginning of May 1989, the date of signing the definitive share purchase agreement, have been consolidated with Saskoil's operations. To reflect the full impact of the acquisition which was effective January 1, 1989, annualized cash flow and production numbers have been provided throughout the report. The term "annualized" refers to the consolidated results of Saskoil and ICG Resources Ltd. for 12 months of 1989.

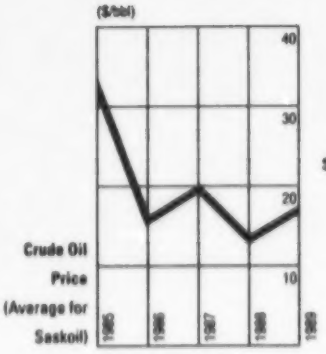
Saskoil continued to diversify its resource base during 1989 through acquisitions, exploration and development. A conservative balance sheet was preserved by the infusion of additional equity capital and the placement of a tax effective financing through the equipment leasing limited partnership.

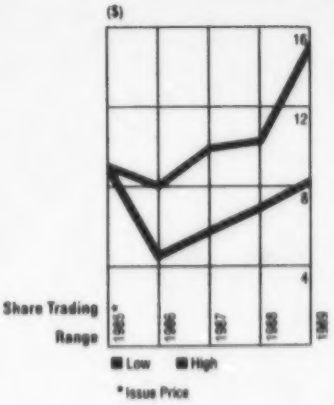
	Net Proceeds (Investments)
January, 1989 — equipment sale and leaseback	$ 76.9
March, 1989 — acquisition of Metro Gaz Marketing, inc.	(6.5)
April, 1989 — common equity issue	93.1
May, 1989 — acquisition of ICG Resources Ltd.	(104.8)
December, 1989 — issue of Series I shares	96.2
Acquisition of properties	(28.0)
Exploration and development expenditures	(120.9)

- The sale and leaseback enabled Saskoil to effectively fix the interest rate on a portion of its debt at a favourable rate by taking advantage of its unique tax position of large tax pools well in excess of the corresponding book asset values at that time.
- The acquisition of Metro Gaz Marketing, inc. opened up natural gas marketing opportunities in Canada as well as providing access to U.S. markets through its long term contract with the Tennessee Gas Pipeline Company.
- The common equity issue was carried out by the private placement of 9.8 million special warrants which were fully converted to common shares on a one-for-one basis shortly after being issued. The funds permitted Saskoil to maintain a balance in financing the acquisition of ICG Resources Ltd. between equity and the debt which was assumed as part of the purchase.
- The acquisition of ICG Resources Ltd. has improved the light versus heavy crude oil mix as well as achieving a better geographic balance in western Canada, as approximately 90 per cent of ICG Resources Ltd.'s reserves were in the Province of Alberta.

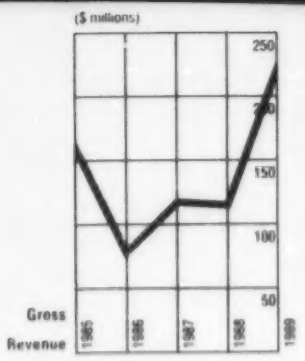
Maintaining a position of financial strength
depends on our ability
to not only manage, but also to
maximize, available capital resources
CALLS PUTS
DEC MAR JUN SEP
MAR MAR FEB MAR
UP UP UP UP
DOWN DOWN DOWN
TREASURY BOND OPTIONS
CME S+P 500 INDEX
MAR JUN CASH
CBT CORN
MAR MAY JUL







mitted to the process of obtaining
a global base of information
in order to implement
financial strategies which will optimize
the rate of return
generated for shareholders.



□ The issue of Series I shares in December 1989 enabled the Corporation to reduce the debt incurred through property acquisitions as well as the extensive capital expenditure program which was undertaken in 1989. In addition, a portion of this issue was used to access international investors for the first time.

□ Saskoil increased its interest in certain medium crude oil properties in southwest Saskatchewan in December. The purchase was seen as an attractive opportunity to moderately expand Saskoil's existing working interests in properties with which the Corporation is very familiar and perceives as core assets.

Revenue

Revenues from oil and gas sales, net of royalties, virtually doubled in 1989 to $182.1 million. This was the result of the following:

	1989	1988	Effect on net revenue
17% increase in oil production (barrels per day)	21,000	17,900	$14,800
202% increase in gas production (millions of cubic feet per day)	174.5	57.6	55,500
28% increase in oil prices ($ per barrel)	$16.94	$13.25	28,300
5% increase in gas prices ($ per thousand cubic feet)	$1.36	$1.30	3,800
460% increase in royalty, processing and other revenues ($ thousands)	$5,600	$1,000	4,600
80% increase in royalty expenses resulting from increased sales ($ thousands)	$40,000	$22,200	(17,800)
Net Revenue	$182,100	$92,900	$89,200

Production numbers included in the above table are not annualized.

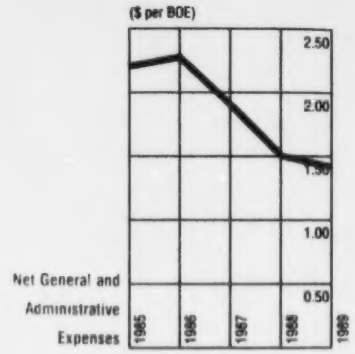
Expenses

Saskoil again achieved reductions in most expense categories on a per barrel of oil equivalent basis (using a 10:1 gas to oil conversion rate).

Total operating expenses increased 46 per cent to $52.5 million in 1989 due to increased production volumes. On an equivalent barrel basis, however, operating expenses decreased by 10 per cent.

General and administrative expenses increased in total to $19.5 million due to staff increases in all departments which were required to control the growing levels of activity. However, on an equivalent barrel basis, these expenses were down six per cent from 1988.

The $32.5 million (75 per cent) increase in depletion and depreciation from 1988 was due entirely to increased production, as the average depletion and depreciation rate actually decreased to $4.06 per equivalent barrel of oil, using a natural gas conversion of 6:1, from the 1988 rate of $4.23.



General and Administrative Expense

(millions of dollars except per barrel amounts)	1989	1988
Gross expense	$37.1	$21.5
Less: Operator recoveries	7.0	1.9
Capitalized overhead	7.0	3.9
Reorganization costs	—	1.6
Capital taxes	3.6	1.1
Net general and administration	$19.5	$13.0
Total production (millions of equivalent barrels)	13.9	8.7
Net general and administration expense per equivalent barrel	$1.41	$1.50

*Natural gas has been converted to equivalent barrels of oil using a factor of 10 thousand cubic feet equals one barrel.

Interest expense increased by $20.6 million to $30.6 million in 1989 due to the funding requirements of the acquisitions and increased capital activities.

Cash Flow and Earnings

As the accompanying table shows, cash netbacks improved in 1989 by 54 per cent for oil and seven per cent for natural gas.

Cash Netbacks Per Unit Of Production

	Crude Oil ($/Bbl)		Natural Gas ($/Mcf)	
	1989	1988	1989	1988
Average sales price	$16.94	$13.25	$1.36	$1.30
Royalties	(3.17)	(2.55)	(0.25)	(0.26)
Operating expense	(4.32)	(4.57)	(0.30)	(0.28)
Cash netback	$ 9.45	$ 6.13	$0.81	$0.76

The Corporation's financial performance was highly sensitive to crude oil prices in 1988. Oil prices recovered in early 1989 and remained relatively constant during the balance of 1989. Based on expected production levels and current circumstances, a one dollar change in the Corporation's average annual oil price per barrel will affect Saskoil's annual cash flow by approximately $8.4 million or $0.12 per common share.

Summary of Unit Cash Flows

	1989	1988
Saskatchewan		
Light and medium oil ($/Bbl)	$ 8.22	$5.68
Heavy oil ($/Bbl)	8.25	4.98
Natural gas ($/Mcf)	0.89	0.81
Alberta		
Crude oil ($/Bbl)	$13.37	$9.58
Natural gas ($/Mcf)	0.73	0.72
Combined		
Crude oil ($/Bbl)	$ 9.45	$6.13
Natural gas ($/Mcf)	0.81	0.76

World oil prices are quoted in U.S. dollars and therefore a strong Canadian dollar will result in lower Canadian wellhead oil prices. Based on expected production levels and current circumstances, a $0.01 change in the value of the Canadian dollar affects Saskoil's cash flow by about $1.5 million or $0.02 per common share.

Based on expected production levels and current circumstances, a $0.10 per thousand cubic feet change in Saskoil's average contracted annual natural gas price will impact annual cash flow by more than $7.8 million or $0.11 per common share. As the Corporation's natural gas reserves are brought to their full potential, this cash flow sensitivity to natural gas prices will increase.

Income Tax

Saskoil incurred no income tax expense in 1989 and, at December 31, 1989, had $798 million of tax pools available to shelter future income from taxes. The breakdown of these pools is as follows:

	($millions)
Canadian exploration expense	$125
Canadian development expense	133
Canadian oil and gas property expense	330
Undepreciated capital cost	210
Total	**$798**

As a result of the amalgamation of ICG Resources Ltd. and Saskoil on December 31, 1989, an extraordinary reduction of income tax liability of $26 million was recorded in 1989. This reflects the application of Saskoil's unrecorded tax benefits against ICG Resources Ltd.'s deferred tax liability.

While no current income taxes were paid in 1989, Saskoil incurred $2.7 million in Saskatchewan Corporation Capital Tax, which represents a two per cent surcharge on all gross revenue from Saskatchewan oil and natural gas production. In addition, $0.9 million is payable under the federal Large Corporations Tax which was introduced on July 1, 1989.

The Free Trade Agreement is another influence affecting the Canadian energy industry, particularly with respect to transportation. The proportional transportation systems and market access provisions of the Free Trade Agreement may allow feedstock purchasers to utilize plant locations based on transportation economics and market proximity.

The recently announced Goods and Services Tax (GST) will affect the Canadian energy industry in two main ways:

- Future wellhead prices received by the producer will be reduced to the extent that the GST will move the price above what the consumer is willing to pay; and
- Additional administrative expenditures will be incurred to account for and remit the GST.

Investment and Financing Activities

On January 9, 1989, Saskoil closed an offering of 800,000 retractable units in Saskoil Equipment Leasing (1988) Limited Partnership. The Partnership's general partner, SOGC Leasing Inc., is a wholly-owned subsidiary of Saskoil. Upon closing, the net proceeds from the sale of these Units of $76.9 million, after commissions and issue expenses of $3.1 million, were used by the Partnership to purchase from Saskoil certain oil and gas production and processing equipment. The purchase price was based on the fair market value of the equipment, as determined by an independent appraisal. The equipment consists of gas plants, flowlines, treaters, dehydrators, tanks, and other tangible production and processing equipment. This equipment was then leased back to Saskoil for a term of 20 years. Saskoil has the option to purchase the leased equipment at fair market value at the end of the lease and has a further option to repurchase the equipment at the end of 13 years for $55.4 million. The Units are retractable at the option of the Unitholders on December 31, 1993, at a price of $100 per Unit. Unless the holders of more than 50 per cent of the outstanding Units instruct the Partnership that they do not wish to retract their Units, Saskoil may require the Partnership to redeem, at a price of $100 per Unit, all of the outstanding Units not tendered for retraction. Saskoil has agreed to subscribe on December 31, 1993 for a sufficient number of Units so as to ensure that the Partnership has the funds necessary to pay for Units retracted and redeemed.

On March 31, 1989, Saskoil acquired 100 per cent of the outstanding shares of Metro Gaz Marketing, inc. and its wholly owned subsidiaries, Canadian Natural Gas Clearing House Inc. and Kanngaz Producers Ltd. Kanngaz Producers Ltd. has a contracted natural gas supply in excess of 750 billion cubic feet from several producers in the Province of Alberta. In addition, Kanngaz Producers Ltd. has sales contracts currently delivering approximately 110 million cubic feet of gas per day, of which some 30 million is to industrial customers in eastern Canada and 80 million to the Tennessee Gas Pipeline Company in the United States. The Tennessee contract provides for an increase in sales volumes to 125 million cubic feet per day in 1990. This acquisition provides the Corporation with an opportunity to develop improved market intelligence while achieving a degree of diversification with a controlled entry into the U.S. market.

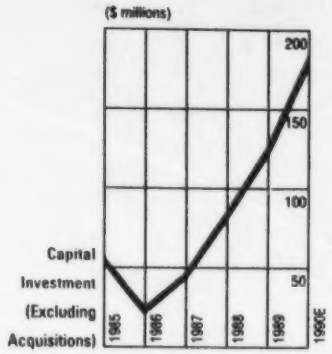
On May 2, 1989, Saskoil placed 9.8 million special warrants with institutional investors across Canada for gross proceeds of $96.8 million (net $93.1 million). The warrants were fully exercised shortly thereafter.

On June 22, 1989, Saskoil's policy of diversification into natural gas was further enhanced by the acquisition of the shares of ICG Resources Ltd. for a net purchase price of $104.8 million. As part of this transaction, Saskoil assumed $116.8 million in ICG Resources Ltd. long-term debt, including $60.9 million in fixed rate notes bearing interest at rates ranging from 12.75 per cent to 14 per cent per annum. One $9 million note is repayable on June 1, 1990 while the balance are repayable on June 1, 1996. The notes are non-redeemable prior to those dates. The June, 1990 repayment will be funded through an increase in the amount outstanding under Saskoil's credit facility.

On December 21, 1989, Saskoil issued 7.5 million convertible participating restricted — voting shares, Series I, pursuant to agreements with an underwriting syndicate for net proceeds of $96.2 million, after fees and commissions of $3.8 million.

To accommodate the ICG Resources Ltd. acquisition, Saskoil expanded its credit facility with The Royal Bank of Canada and The Bank of Nova Scotia to $330 million. This credit facility has an initial revolving term of three years, which may be extended by the lenders annually thereafter. Failing such extension, the facility reverts to a seven year term. The credit facility requires annual tests of reserve value and serviceability. The facility is secured by a floating charge debenture on certain of the Corporation's assets. Interest is payable at the Prime Rate; however, Saskoil has been able to reduce its effective borrowing rate by at least one-half of one per cent by utilizing bankers' acceptances. In addition, an operating line of credit in an amount of $10 million has been established, with a further line of credit of $5 million to cover credit on electronic funds transfers.

At year-end, $251 million had been drawn down under the credit facility, including $70 million drawn in letters of credit to guarantee payment of principal and interest on the ICG Resources Ltd. long-term notes.



Capital Expenditures

(millions of dollars)	1989	1988
Land acquisition	$ 18.9	$ 6.8
Geological and geophysical	7.8	4.4
Exploration drilling	6.9	12.3
Development and infill drilling	34.7	20.0
Facilities and equipment	39.1	27.1
Lease rentals	2.0	1.8
Other	2.7	5.7
Capitalized interest	5.1	1.3
Capitalized overhead	7.0	3.9
Total capital expenditures	**124.2**	**83.3**
Government incentives	(2.0)	(3.6)
Proceeds from disposal of assets	(1.3)	(0.3)
Net capital expenditures	**$120.9**	**$ 79.4**

At December 31, 1989, $15 million in long-term debt was outstanding in the form of Saskoil Participation Bonds. These bonds bear interest at a base rate of 10 per cent plus a variable component equal to .03 per cent for every full $1 million in net sales revenue for the year. The rate of interest paid on the bonds for the year ended March 31, 1990 will be 15.55 per cent, while the 1989 rate was 12.88 per cent. The Saskoil Participation Bonds mature on March 31, 1990 and their redemption will be funded by a corresponding increase in the amount outstanding under Saskoil's credit facility.

On February 28, 1990, the company gave notice of its intention to redeem the Second Preferred shares, Series A at $11.00 per share. The holders of the Second Preferred shares, Series A have the right to convert these shares into common shares of Saskoil at the rate of 10 common shares for 12 Second Preferred shares held. This conversion right may be exercised at any time up to and including, March 29, 1990.

At present, current cash levels and funds which may be generated from operations, existing bank lines of credit, equity issues and other sources are greater than the funds required in 1990 to service the estimated preferred share dividends of $1.4 million, the exploration and development capital budgets of $180 million and working capital requirements.

Share Capital

At December 31, 1989

(millions of dollars except per share amounts)	Common	Series A	Series I	Total
Number of shares outstanding	49,278,814	7,557,895	7,480,000	—
Share capital	$464.6	$ 75.6	$100.0	$640.2
Per share	$ 9.43	$ 10.00	$ 13.37	—

Management Report

The accompanying consolidated financial statements and all information in the annual report are the responsibility of management. The consolidated financial statements have been prepared by management in accordance with the accounting policies in the notes to consolidated financial statements. When necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the balance sheet date. In the opinion of management, the financial statements have been prepared within acceptable limits of materiality and are in accordance with Canadian generally accepted accounting principles appropriate in the circumstances. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the consolidated financial statements.

Management maintains appropriate systems of internal control including an internal audit function. Policies and procedures are designed to give reasonable assurance that transactions are appropriately authorized, assets are safeguarded and financial records properly maintained to provide reliable information for the preparation of financial statements.

Ernst & Young, an independent firm of Chartered Accountants, has been engaged, as approved by a vote of the shareholders at the Corporation's most recent annual general meeting, to examine the consolidated financial statements in accordance with generally accepted auditing standards in Canada and provide an independent professional opinion. Their report is presented below.

The audit committee of the Board of Directors, which is comprised of directors who are not employees of the Corporation, has reviewed the consolidated financial statements, including the notes thereto, with management and both internal and external auditors. The consolidated financial statements have been approved by the Board of Directors on the recommendation of the audit committee.

T.H. Renner
President and
Chief Executive Officer

C.A. Bradley
Controller

Auditors' Report

To the Shareholders of Saskatchewan Oil and Gas Corporation

We have examined the consolidated balance sheets of Saskatchewan Oil and Gas Corporation as at December 31, 1989 and 1988 and the consolidated statements of earnings, retained earnings and changes in cash position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Corporation as at December 31, 1989 and 1988 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Clarkson Gordon

Regina, Canada
February 19, 1990

Chartered Accountants

Balance Sheets

As at December 31

(thousands of dollars)

Assets	1989	1988
Current		
Cash	$ 2,610	$ 15,800
Accounts receivable	98,459	25,628
Inventories and other	7,665	7,269
	108,734	48,697
Property and equipment (note 3)	1,033,959	630,528
	$1,142,693	$679,225
Liabilities		
Current		
Accounts payable	$ 67,897	$ 30,563
Current portion of long term debt (note 4)	30,100	—
Current portion of deferred natural gas revenue	2,250	—
	100,247	30,563
Long term debt (note 4)	329,441	195,260
Deferred income taxes	27,336	—
Deferred natural gas revenue	7,040	593
Deferred petroleum and gas revenue tax	8,067	1,634
	472,131	228,050
Shareholders' Equity		
Share capital (note 5)	640,221	441,549
Retained earnings	30,341	9,626
	670,562	451,175
	$1,142,693	$679,225

On behalf of the Board:

Director

Director

See accompanying notes

Statements of Earnings

For the years ended December 31

(thousands of dollars except per share amounts)

	1989			1988		
	Crude Oil	Natural Gas	Total	Crude Oil	Natural Gas	Total
Revenue	$130,939	$91,163	$222,102	$87,165	$27,938	$115,103
Royalty expense	24,154	15,853	40,007	16,673	5,532	22,205
Operating expense	33,474	19,043	52,517	30,007	5,897	35,904
Net operating income	$ 73,311	$56,267	129,578	$40,485	$16,509	56,994
Other income			4,696			683
			134,274			57,677
Corporate expenses						
Depletion and depreciation			76,027			43,521
General and administrative			19,510			14,550
Interest (note 4)			30,623			9,988
			126,160			68,059
Earnings (loss) before taxes			8,114			(10,382)
Capital taxes			3,609			1,136
Alberta royalty tax credit			(3,235)			(2,797)
			374			(1,661)
Earnings (loss) before extraordinary item			7,740			(8,721)
Extraordinary item (note 6)			25,755			—
Earnings (loss)			$ 33,495			$ (8,721)
Earnings (loss) per Common Share						
Before extraordinary item			$0.05			$(0.41)
After extraordinary item			$0.62			$(0.41)

Consolidated Statements of Retained Earnings

For the years ended December 31

(thousands of dollars)

	1989	1988
Retained earnings, beginning of year	$ 9,626	$ 23,840
Earnings (loss)	33,495	(8,721)
Preferred share dividends	(5,482)	(5,493)
Public share issue costs	(7,298)	—
Retained earnings, end of year	$ 30,341	$ 9,626

See accompanying notes

Saskatchewan Oil and Gas Corporation

Consolidated Statement of Cash Flows

For the years ended December 31

(thousands of dollars)

	1989	1988
Operating activities		
Earnings (loss) before extraordinary item	$ 7,740	$ (8,721)
Depletion and depreciation	76,027	43,521
Other	(124)	(48)
	83,643	34,752
Net change in non-cash working capital relating to operations	(2,891)	(4,432)
	80,752	30,320
Financing activities		
Proceeds from equity issues, net of issue costs of $7.5 million (1988 — nil) (note 5)	191,129	136,049
Proceeds from long term debt	38,141	180,260
Preferred share dividends	(5,482)	(5,493)
	223,788	310,816
Investing activities		
Capital expenditures	(124,234)	(83,335)
Government incentives	1,957	3,651
Proceeds on disposal of assets	1,329	264
Acquisitions (note 2)	(142,983)	(283,037)
Net change in non-cash working capital relating to investing activities	(53,799)	10,659
	(317,730)	(351,798)
Decrease in cash	(13,190)	(10,662)
Cash, beginning of year	15,800	26,462
Cash, end of year	$ 2,610	$ 15,800

See accompanying notes

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements of Saskatchewan Oil and Gas Corporation ("Saskoil" or "the Corporation") have been prepared in accordance with generally accepted accounting principles and include the accounts of Saskatchewan Oil and Gas Corporation and its wholly-owned subsidiaries. Saskoil is subject to the Saskatchewan Oil and Gas Corporation Act, 1985 and the Saskatchewan Business Corporations Act.

Substantially all exploration and production activities are conducted jointly with others. The consolidated financial statements reflect only Saskoil's proportionate interest in such activities.

Property and Equipment

Capitalized costs — Saskoil accounts for its investment in oil and gas properties on the full cost method whereby all costs related to exploration for and development of oil and gas reserves whether productive or non-productive are capitalized. Such costs include lease acquisition, geological and geophysical, drilling, interest and certain general and administrative costs directly related to exploration and development activities.

Ceiling test — A ceiling test is applied to the net book value of oil and natural gas properties and equipment at year end. The ceiling test limits net book value to undiscounted future revenue from production of proven oil and gas reserves at year end prices less related future operating, general and administrative and financing costs and income taxes plus the unimpaired costs of unproven properties. Any excess of net book value over the ceiling test amount would be charged to earnings.

Depletion and depreciation — Depletion and depreciation of oil and gas assets are calculated using the unit-of-production method based on gross proven oil and gas reserves as determined by corporate or independent engineers. Gas reserves are converted to a common unit of measure at a rate of six thousand cubic feet of natural gas being equivalent to one barrel of oil, reflecting the relative energy content.

Depreciation of other property and equipment is calculated at rates which charge original costs to operations over the estimated useful lives using the straight-line method.

Capitalization of interest — Interest is capitalized on unusually significant investments in undeveloped properties. Interest capitalization ceases on encountering proven reserves, commencement of production or on abandonment of the property. Such capitalized costs are amortized to earnings on the same basis as other exploration and development costs.

Deferred natural gas revenue — In prior years, under certain natural gas sales contracts, purchasers were required to pay for specified volumes not delivered. These amounts are deferred and are being recognized as revenue when the natural gas is delivered.

2. Acquisitions

Metro Gaz Marketing, Inc.

On March 31, 1989 Saskoil acquired the shares of Metro Gaz Marketing, inc. and its wholly owned subsidiaries for $6.5 million. The assets of the acquired companies consisted primarily of long term gas marketing contracts. The acquisition was accounted for by the purchase method.

ICG Resources Ltd.

On June 22, 1989 Saskoil closed the transaction to acquire all the shares of ICG Resources Ltd. ("ICGR") for a net purchase price of $105 million. ICGR was engaged in oil and gas exploration, development and production activities in western Canada and was amalgamated with Saskoil on December 31, 1989.

The operations of ICGR subsequent to signing the definitive share purchase agreement at the beginning of May, 1989 have been included in Saskoil's consolidated financial statements. The acquisition was accounted for by the purchase method and the excess of the net purchase price over the book value of the net assets acquired was attributed to property and equipment.

Details of the acquisition, in millions of dollars, are as follows:

Property and equipment	$324
Less liabilities assumed	
Long term debt	(117)
Deferred income taxes	(54)
Working capital deficiency	(35)
Deferred PGRT	(6)
Deferred natural gas revenue	(7)
Net assets acquired for cash	$105

Other acquisitions

The Corporation also completed several oil and natural gas property acquisitions during the year including the acquisition of oil properties located in southwest Saskatchewan for $22 million on December 1, 1989.

On June 3, 1988, Saskoil acquired oil and gas properties from Saskatchewan Power Corporation (SaskPower) with title to the oil and gas properties transferring to Saskoil effective May 1, 1988. The transaction, including a gross overriding royalty retained by SaskPower, was valued at $325,000,000 before acquisition costs and discounting of the promissory note and cash flow indenture. After allowing for the gross overriding royalty retained by SaskPower and discounting the promissory note and cash flow indenture the net purchase price was $283,037,000.

Details of the net purchase price for the assets acquired in thousands of dollars are as follows:

Consideration given	
Cash, financed by bank indebtedness	$124,229
Common shares issued (13 million shares)	122,708
Common share warrants issued (5 million warrants)	13,000
Promissory note (undiscounted value of $20 million)	12,800
Cash flow indenture (undiscounted value of $25 million)	10,300
Purchase price of assets acquired, including acquisition costs of $1.9 million	$283,037

3. Property and Equipment

	1989	1988
Petroleum and natural gas property and equipment	$1,260,372	$817,177
Costs of unproved properties	63,262	27,005
	1,323,634	844,182
Less accumulated depletion and depreciation	289,675	213,654
	$1,033,959	$630,528

General and administrative costs of $7.0 million (1988 — $3.9 million) and interest of $5.1 million (1988 — $1.3 million) relating to exploration and development activities were capitalized.

For ceiling test purposes, year end oil prices were based on the West Texas Intermediate oil price of $21.82 U.S. (1988 — $17.24 U.S.) adjusted to reflect the particular characteristics of Saskoil's oil reserves. The year end natural gas prices were determined from existing contracts and current market prices.

4. Long Term Debt

	1989			
	Balance December 31	Interest Expense	Effective Interest Rate	1988 Balance December 31
Bankers' acceptances	$163,962	$18,316	12.7%	$155,546
Capital lease obligation	77,520	6,756	8.8	—
Notes payable	60,780	5,608	12.5	—
Note payable to SaskPower	15,116	1,421	10.5	13,695
Participation bonds	15,000	2,350	15.6	15,000
Term facility	15,000	851	13.5	—
Cash flow indenture	12,163	1,143	10.5	11,019
Bridge financing and other	—	1,535	—	—
	359,541	38,000		195,260
Less				
Current portion	(30,100)			—
Capitalized interest		(5,121)		
Interest income		(2,256)		
	$329,441	$30,623		$195,260

The estimated annual undiscounted repayment requirements on long term debt, in thousands of dollars, are:

1990	$30,100
1991	11,100
1992	11,100
1993	91,100
1994	11,100
Remainder	205,041

4. Long Term Debt (continued)

Bankers' acceptances

At the present time, bankers' acceptances have a lower cost than long term instruments and, although the bankers' acceptances will mature during 1990, they have been classified as long term debt as the Corporation intends to refinance them through further bankers' acceptances or other forms of debt on a long-term basis.

Capital lease obligation

On January 9, 1989 Saskoil sold certain equipment with a market value of $76,900,000 to Saskoil Equipment Leasing (1988) Limited Partnership (the Partnership) for proceeds of $76,900,000. The equipment was leased back to the Corporation at an annual rental charge of $6.2 million for the first five years of the 20 year lease. The Partnership's general partner is a wholly owned subsidiary of the Corporation.

The Partnership unitholders will have the option to require the Partnership to redeem their units at December 31, 1993 at their original issuance price of $80,000,000. The Corporation has agreed to subscribe on December 31, 1993 for a sufficient number of units to ensure that the Partnership has the funds necessary to pay for units redeemed.

Notes payable

The notes payable were assumed as part of the ICGR acquisition and were revalued using market interest rates. The acquisition price and the effective rate of interest were reduced accordingly. The notes mature prior to 1997.

Note payable to SaskPower

The note payable to SaskPower has a par value of $20,000,000 and is repayable without interest in four equal annual installments of $5,000,000 commencing June 1, 1991. The note is recorded in the accounts at its present value using a 10.5 per cent discount rate.

Participation bonds

The participation bonds mature March 31, 1990 and are guaranteed as to principal and interest by the Province of Saskatchewan. Interest is payable March 31 of each year at a basic rate of 10 per cent plus .03 percentage points for each full $1 million of net sales revenue for the preceding fiscal year. The interest rate for the twelve months ended March 31, 1990 is 15.55 per cent (1989 — 12.88 per cent).

Term facility

The bank loan consists of a revolving term credit facility at the prime interest rate. A floating charge debenture covering all of the Corporation's assets, excluding certain tangible production equipment, is held as collateral.

Cash flow indenture

The cash flow indenture requires the Corporation to pay annually, commencing on June 1, 1995, to SaskPower the lesser of 10 per cent of the cash flow from certain oil and gas properties or $5,000,000 to a cumulative maximum of $25,000,000. The cash flow indenture is recorded in the accounts at its present value using a 10.5 per cent discount factor based on estimated future cash flows.

5. Share Capital

Details of the issued share capital are as follows:

Second Preferred Shares, Series A	Number	Amount
Balance, December 31, 1987	7,578,784	$ 75,788
Conversion of preferred shares	(16,889)	(169)
Balance, December 31, 1988	7,561,895	75,619
Conversion of preferred shares	(4,000)	(40)
Balance, December 31, 1989	7,557,895	$ 75,579

Convertible Participating Restricted — Voting Shares, Series I	Number	Amount
Balance, December 31, 1988	—	$ —
Issued for cash	7,480,000	100,045
Balance, December 31, 1989	7,480,000	$100,045

Common Shares	Number	Amount
Balance, December 31, 1987	26,200,815	$229,712
Issued on the acquisition of the SaskPower oil and gas properties		
— Common shares	13,000,000	122,708
— Common share warrants	—	13,000
Issued under employee stock options	12,500	94
Issued to employees' savings plan	24,147	247
Conversion of preferred shares	16,889	169
Balance, December 31, 1988	39,254,351	365,930
Issued as common share warrants	—	96,775
Conversion of common share warrants	9,800,000	—
Issued under employee stock options	178,500	1,332
Issued to employees' savings plan	42,631	520
Conversion of preferred shares	3,332	40
Balance, December 31, 1989	49,278,814	$464,597

Second preferred shares, series A

The second preferred shares, series A have voting privileges and are entitled to cumulative dividends of $0.725 per share per annum. These shares are convertible into common shares at the option of the holder at a rate of .833 common shares (1988 — 1.0) for each preferred share prior to the close of business on December 31, 1995.

The shares are redeemable at the option of Saskoil prior to the close of business on December 31, 1990 depending on future prices of the common shares on The Toronto Stock Exchange. Thereafter, the shares are redeemable at prices declining $0.20 per share annually from $11.00 to $10.00.

5. Share Capital (continued)

Convertible participating restricted — voting shares, series I

On December 21, 1989 Saskoil issued 7,480,000 convertible participating restricted — voting shares, series I for cash consideration of $100,045,000. Three quarters of the shares were offered in Canada with the remainder being offered internationally.

The series I shares are entitled to receive dividends equal in amount to the dividends declared on the common shares but do not have voting privileges, except in limited circumstances.

The series I shares are convertible into common shares on a one for one basis provided the holders of series I shares are Canadian citizens or residents of Canada as defined in the Saskoil Act. The Corporation shall have the right to exchange common shares for the series I shares on a one for one basis if the limitation requiring Canadian ownership of the common shares as contained in the Saskoil Act is removed.

In the event of liquidation, dissolution or winding-up of the Corporation, holders of series I shares or common shares will be entitled to receive their proportionate share of any assets of the Corporation which remain after any distribution to the holders of the first preferred shares and second preferred shares.

Common shares

On April 18, 1989, Saskoil issued 9,800,000 special warrants for an aggregate consideration of $96,775,000 with each warrant being exchangeable for one common share. Pursuant to a prospectus dated May 2, 1989, 9,800,000 common shares were qualified for issuance and all special warrants were subsequently exchanged for the common shares.

At December 31, 1989, there were 1,053,000 (1988 — 839,000) common shares reserved under employee stock options for issue at prices ranging from $6.75 to $13.50 per share. The stock options expire from November 19, 1997 to November 30, 1999.

Legal restrictions

The Saskatchewan Oil and Gas Corporation Act, 1985, prohibits any person or group of associated persons, other than the Province of Saskatchewan, from owning more than four per cent of the issued and outstanding voting shares of Saskoil. Holders of common shares of Saskoil must be Canadian citizens or residents.

Diluted earnings per share

Assuming conversion of any or all of the preferred shares, convertible participating restricted — voting shares, warrants or options, there would be no dilution of earnings per share.

6. Income Tax Expense and Extraordinary Item

The table below explains the differences between expected income tax expense as obtained by applying statutory income tax rates and recorded income tax expense.

	1989		1988	
	Amount	Per cent	Amount	Per cent
Earnings (loss) before taxes	$ 8,114	100.0	$ (10,382)	100.0
Expected income tax expense (recovery)	$ 3,558	43.9	$ (5,133)	(49.4)
Add (deduct) tax effect of:				
Royalties, rentals and similar payments to provinces	12,728	156.9	8,574	82.6
Federal resource allowance	(17,407)	(214.5)	(6,275)	(60.4)
Resource deductions not utilized	1,121	13.7	2,834	27.2
Income tax expense	$ Nil	Nil	$ Nil	Nil

At December 31, 1989, Saskoil had unrecorded accumulated timing differences of $78 million deductible for income tax purposes. Upon amalgamation with ICGR, the Corporations' tax pools were consolidated. As a result, $26 million of ICGR's deferred tax liability was extinguished and reported in income as an extraordinary item.

7. Commitments

As at December 31, 1989 future minimum lease payments under operating leases for office space and equipment, in thousands of dollars, are as follows:

1990	$4,883
1991	4,774
1992	3,445
1993	3,595
1994	3,731

8. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Summary

(millions of dollars except per share amounts)

Year ended December 31

		[illegible]	1988	1987	1986	1985
Earnings and Cash Flow	Crude oil and natural gas revenue	$ 222.1	$ 115.1	$116.5	$ 77.3	$161.1
	Royalties	(40.0)	(22.2)	(27.4)	(19.5)	(47.9)
	Other income	4.6	0.7	4.4	6.0	6.0
		186.7	93.6	93.5	63.8	119.2
	Operating expenses	52.5	35.9	27.6	25.9	28.4
	General and administration		14.6	11.4	11.1	11.0
	Depletion and depreciation		43.5	29.5	23.0	21.8
	Interest	35.6	10.0	3.0	1.9	3.9
	Petroleum and gas revenue tax	—	—	—	1.1	13.5
	Taxes	3.6	1.1	10.9	4.2	1.4
	Alberta royalty tax credit	(5.2)	(2.8)	(2.2)	(0.5)	—
	Earnings (loss) before extraordinary items	7.7	(8.7)	13.3	(2.9)	39.2
	Extraordinary items	25.8	—	9.3	1.6	1.4
	Earnings (loss)	33.5	(8.7)	22.6	(1.3)	40.6
	Preferred share dividends	(5.5)	(5.5)	(5.5)	(5.3)	—
	Earnings (loss) attributable to common shares	$ 28.0	$ (14.2)	$ 17.1	$ (6.6)	—
	Weighted average number of common shares (millions)	45.3	34.9	22.4	19.5	—
	Earnings (loss) per common share					
	Before extraordinary item	$ 0.05	$ (0.41)	$ 0.35	$ (0.42)	—
	After extraordinary item	$ 0.62	$ (0.41)	$ 0.76	$ (0.34)	—
	Cash flow per common share	$ 1.72	$ 0.84	$ 2.15	$ 1.07	—
Changes in Financial Position	Cash flow from operations	$ 83.6	$ 34.8	$ 53.7	$ 26.2	$ 64.0
	Financing					
	Equity issues net of issue costs	191.1	136.0	47.1	30.2	(1.8)
	Long-term debt	38.1	180.3	—	—	—
	Preferred share dividends	(5.5)	(5.5)	(5.5)	(5.3)	—
	Investing					
	Net capital expenditures	(120.9)	(79.4)	(44.7)	(22.6)	(54.6)
	Acquisitions	(143.0)	(283.0)	(65.3)	—	—
	Other	(53.0)	(0.1)	1.9	(3.1)	—
	Increase (decrease) in working capital	$ (9.6)	$ (16.9)	$ (12.8)	$ 25.4	$ 7.6
Financial Position	Cash	$ 2.6	$ 15.8	$ 26.5	$ 42.5	$ 24.2
	Working capital	8.5	18.1	35.0	47.8	22.4
	Property and equipment	1,034.0	630.5	311.6	229.2	229.9
	Long-term debt	329.4	195.3	15.0	15.0	15.0
	Shareholders' equity	670.6	451.2	329.3	263.6	162.4
Statistics	Royalties as percent of sales	18%	19%	24%	25%	30%
	Working capital ratio	1.1:1	1.6:1	2.4:1	5.0:1	1.7:1
	Debt to equity ratio	.49:1	.43:1	.05:1	.06:1	.09:1
	Return on average capital employed	8%	1%	8%	—	18%
	Four year return on average capital employed	5%	6%	11%	14%	16%

Summary

(thousands of barrels and millions of cubic feet)
Year ended December 31

	1989	1988	1987	1986	1985	
Light-medium oil and NGLs	5,270	4,400	3,779	3,029	3,032	**Production**
Heavy oil	2,399	2,200	1,827	1,727	1,868	
Total oil	7,669	6,600	5,606	4,756	4,900	
Total gas	63,700	21,100	4,211	1,420	710	
Proven producing						Reserves
Light-medium oil and NGLs	62,917	42,500	41,470	33,145	34,340	
Heavy oil	20,978	13,500	10,442	8,835	8,837	
Total oil and NGLs	83,895	56,000	51,912	41,980	43,177	
Total gas	568,000	319,000	30,232	13,420	2,024	
Proven undeveloped						
Oil and NGLs	6,836	6,200	3,084	1,691	3,484	
Gas	373,900	250,500	47,122	30,637	28,400	
Total proven						
Oil and NGLs	90,731	62,200	54,996	43,671	46,661	
Gas	941,900	569,500	77,354	44,057	30,424	
Probable						
Oil and NGLs	43,733	24,500	28,340	24,994	23,976	
Gas	375,800	358,500	17,332	24,673	12,496	
Total proven plus probable						
Oil and NGLs	134,464	86,700	83,336	68,665	70,637	
Gas	1,317,700	928,000	94,686	68,730	42,920	
Oil and NGLs reserves, beginning of year	56,000	51,900	41,980	43,177	45,826	**Changes in Proven Producing Reserves**
Additions	4,450	9,800	7,035	1,031	3,912	
Revisions	6,014	—	4,778	2,528	(1,661)	
Acquisitions	25,100	900	3,725	—	—	
Production	(7,669)	(6,600)	(5,606)	(4,756)	(4,900)	
Oil and NGLs reserves, end of year	83,895	56,000	51,912	41,980	43,177	
Gas reserves, beginning of year	319,000	30,200	13,420	2,024	2,308	
Additions	17,100	120,000	1,934	533	213	
Revisions	57,200	(100)	(1,696)	12,283	213	
Acquisitions	238,400	190,000	20,785	—	—	
Production	(63,700)	(21,100)	(4,211)	(1,420)	(710)	
Gas reserves, end of year	568,000	319,000	30,232	13,420	2,024	

Production numbers included in the above table are not annualized.

Consolidated Oil
and Gas Reserves

Estimated Year end 1989 Reserves

(Gross Before Royalties)

	OIL (mmbbls)	GAS (bcf)	NGLS (mmbbls)	SULPHUR (short tons)
Proved Producing				
Opening January 1, 1989	56.000	319.0	0.000	0.0
Acquisitions	21.001	238.4	4.099	304668.9
Additions	4.450	17.1	0.000	0.0
Revisions	7.197	57.2	(1.183)	(40406.9)
Production	(7.448)	(63.7)	(0.221)	(14845.8)
Closing December 31, 1989	**81.200**	**568.0**	**2.695**	**249416.2**
Proved Undeveloped				
Opening January 1, 1989	6.200	250.5	0.000	0.0
Acquisitions	0.339	138.0	1.463	10541.4
Additions	0.666	38.7	0.000	0.0
Revisions	(0.760)	(53.3)	(1.072)	(8465.7)
Production	0.000	0.0	0.000	0.0
Closing December 31, 1989	**6.445**	**373.9**	**0.391**	**2075.7**
Total Proved				
Opening January 1, 1989	62.200	569.5	0.000	0.0
Acquisitions	21.340	376.4	5.562	315210.3
Additions	5.116	55.8	0.000	0.0
Revisions	6.437	3.9	(2.255)	(48872.6)
Production	(7.448)	(63.7)	(0.221)	(14845.8)
Closing December 31, 1989	**87.645**	**941.9**	**3.086**	**251491.9**
Probable				
Opening January 1, 1989	24.500	358.5	0.000	0.0
Acquisitions	7.684	35.8	0.062	54054.0
Additions	1.751	2.5	0.000	0.0
Revisions	9.062	(21.0)	0.674	(6014.8)
Production	0.000	0.0	0.000	0.0
Closing December 31, 1989	**42.997**	**375.8**	**0.736**	**48039.2**
Proved & Probable				
Opening January 1, 1989	86.700	928.0	0.000	0.0
Acquisitions	29.024	412.2	5.624	369264.3
Additions	6.867	58.3	0.000	0.0
Revisions	15.499	(17.1)	(1.581)	(54887.4)
Production	(7.448)	(63.7)	(0.221)	(14845.8)
Closing December 31, 1989	**130.642**	**1317.7**	**3.822**	**299531.1**

Production numbers included in the above table are not annualized.

	December 31, 1989		April 1, 1987		Variance	
	Production BOPD	Total Proven Reserves MSTB	Production BOPD	Total Proven Reserves MSTB	Production %	Reserves %
Light Oil						
Rycroft Area*	410	1,254	315	917	+ 30	+ 37
Spirit River Triassic Unit #1	286	902	231	1,068	+ 23	– 16
Total	**696**	**2,156**	**546**	**1,985**	**+ 27**	**+ 9**
Medium						
Battrum Unit #1	578	6,013	480	6,380	+ 20	– 6
Battrum Unit #2	536	2,580	286	2,420	+ 87	+ 7
Cantuar Unit	300	1,396	288	1,613	+ 4	– 13
Bone Creek Unit	306	1,205	263	965	+ 16	+ 25
Fosterton Main Unit	375	2,176	370	1,364	+ 1	+ 60
Weyburn Midale Pools	341	1,398	205	589	+ 66	+ 137
Rapdan Unit	240	983	205	633	+ 17	+ 55
Total	**2,676**	**15,751**	**2,097**	**13,964**	**+ 28**	**+ 13**
Heavy Oil						
Cactus Lake	667	5,243	786	1,508	– 15	+ 247
Court	1,892	6,156	842	1,372	+ 125	+ 349
Marsden	1,673	5,585	679	3,631	+ 146	+ 54
Neilburg	439	918	542	796	– 19	+ 15
Plover Lake	1,250	2,324	459	730	+ 172	+ 218
Total	**5,921**	**20,226**	**3,308**	**8,037**	**+ 79**	**+ 152**

NOTE:
All figures represented are comparative numbers taken from independent evaluations conducted by Coles Gilbert with the exception of two properties (*) which were from the Sproule Associates' April 1987 evaluation.

Share Distribution

	Common Shares			Cumulative Redeemable Voting Convertible Second Preferred Shares		
Location	# of Shareholders	# of Holdings	% Holdings	# of Shareholders	# of Holdings	% Holdings
Alberta	262	157,922	0.32	323	126,551	1.68
British Columbia	154	67,375	0.14	371	272,067	3.60
Ontario	174	2,477,650	5.03	279	619,599	8.20
Saskatchewan	5,726	25,526,621	51.80	5,375	817,257	10.81
Other	151	512,710	1.04	184	177,069	2.34
CDS	1	20,536,536	41.67	1	5,545,352	73.37
Total	**6,468**	**49,278,814**	**100.00**	**6,533**	**7,557,895**	**100.00**

*As the Canadian Depository for Securities (CDS) holds approximately 42 per cent of common shares and 73 per cent of preferred shares on behalf of different brokerage accounts, it is not possible to determine ultimate ownership.

**The Government of Saskatchewan owns 15,842,910 of the outstanding common shares. As part of the acquisition of SPC oil and gas properties, Saskoil issued 13,000,000 common shares which resulted in 42,000 bondholders having the option of converting these bonds into common shares.

Stock Trading Data

Year ended December 31

	1989	1988	1987	1986
Common				
Outstanding (millions)	49.3	39.3	26.2	19.6
Market price: High	$15.00	$10.25	$ 9.88	$ 8.00
Low	$ 8.25	$ 6.88	$ 5.75	$ 4.50
Close	$13.88	$ 8.50	$ 7.00	$ 5.63
Preferred				
Outstanding (millions)	7.6	7.6	7.6	7.6
Market price: High	$13.00	$10.88	$11.88	$10.38
Low	$ 9.00	$ 8.50	$ 8.00	$ 8.13
Close	$12.63	$ 9.13	$ 8.88	$ 8.50

Annual Information Form

Copies of Saskoil's Annual Information Form are available by contacting the Investor Relations department at the Company's head office.

Duplicate Annual Reports

If you are receiving duplicate copies of shareholder material, please notify your Transfer Agent. This occurs when your holdings are registered in different names or addresses. Your Transfer Agent can consolidate your holdings under one name and address and avoid extra costs to Saskoil.

Company Offices

Head Office
Saskatchewan Oil and Gas Corporation
1500 Saskoil Tower
1945 Hamilton Street
P.O. Box 1550
Regina, Saskatchewan
S4P 3C4
(306) 781-8200

Calgary Office
Saskatchewan Oil and Gas Corporation
SunLife Plaza
2500, 140 - 4th Avenue S.W.
Calgary, Alberta
T2P 3S3
(403) 260-4900

Wes Cana Energy Marketing Inc.
2400, 300 - 5th Avenue S.W.
Calgary, Alberta
T2P 3C4
(403) 221-8686

District Production Offices

Southeast Saskatchewan
P.O. Box 519
Estevan, Saskatchewan
S4A 2A5
(306) 634-7204

Southwest Saskatchewan
P.O. Box 730
Swift Current, Saskatchewan
S9H 3W7
(306) 773-1911

West Central Saskatchewan
P.O. Box 248
Coleville, Saskatchewan
S0L 0K0
(306) 965-2722

Northwest Saskatchewan
P.O. Box 610
Maidstone, Saskatchewan
S0M 1M0
(306) 893-2612

Medicine Hat, Alberta
P.O. Box 578
Medicine Hat, Alberta
T1A 7C5
(403) 526-6222

Central Alberta
P.O. Box 337
4535 - 49B Avenue
Lacombe, Alberta
T0C 1S0
(403) 782-5010

Northeast Alberta
P.O. Box 989
Lac La Biche, Alberta
T0A 2C0
(403) 623-2342

Northwest Alberta
P.O. Box 7205
Peace River, Alberta
T8S 1S8
(403) 624-8068

Transfer Agents and Registrars

For Common Shares, Series I Shares and Warrants

The Royal Trust Company
Regina, Montreal, Toronto
Winnipeg, Calgary and Vancouver

For Saskoil Equipment Leasing (1988) Limited Partnership Units, and SaskPower Exchangeable Bonds

Central Guaranty Trust Company
Regina

Shares Listed

The Toronto Stock Exchange
Montreal Exchange

Trading Symbols

Common	"SKO"
Series I	"SKO.A"
Warrants	"SKO.WT"
Partnership Units	"SKP.UN"

Auditors

Ernst & Young
Chartered Accountants
Regina, Saskatchewan

Solicitors

MacPherson, Leslie & Tyerman
Regina, Saskatchewan

Investor Relations

Toll Free 1-800-667-5810

Directors

Herbert C. Pinder Jr.[1] [3]
Chairman
President, Herbus Holdings Ltd.
Saskatoon, Saskatchewan

Theodore H. Renner[1]
President and Chief Executive Officer
Saskatchewan Oil and Gas Corporation
Regina, Saskatchewan

Ronald E. Barber
President, Barber Motors (1963) Ltd.
Weyburn, Saskatchewan

W. John Brennan[2]
Dean of Commerce
University of Saskatchewan
Saskatoon, Saskatchewan

Joan M. Cook
Accountant, Schindle & Bazin
Oilfield Construction Ltd.
Estevan, Saskatchewan

Theodore M. Hanlon[1]
President, The Sage Group Inc.
Calgary, Alberta

George D. Hill[2]
President, Saskatchewan Power
Corporation
Regina, Saskatchewan

Thomas A. McLellan[1]
Chairman, Devco Consulting Ltd.
Saskatoon, Saskatchewan

Harold P. Milavsky[3]
Chairman of the Board and
Chief Executive Officer
Trizec Corporation Ltd.
Calgary, Alberta

Arne Nielsen[2] [3]
Energy Consultant
Calgary, Alberta

(1) Member of the Executive Committee
(2) Member of the Audit Committee
(3) Member of the Compensation Committee

Officers

Herbert C. Pinder Jr.
Chairman of the Board

Theodore H. Renner
President and Chief Executive Officer

Stephen E. Balog
Vice-President Production

Martin E. Booth
Vice-President, Exploration

Glenn R. Carley
Vice-President, General Counsel
and Secretary

C.J. Byrne McNamara
Vice-President, Finance and
Chief Financial Officer

Mervyn J. Simon
Vice-President, Marketing

Christopher A. Bradley
Controller

R. James Brown
Treasurer

James E. Young
Assistant Secretary